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ABSTRACT

This publication presents case studies of 10 colleges and universities that developed creative approaches to resource allocation in order to confront the fiscal realities facing higher education. The case studies describe strategic review and planning efforts in times of fiscal austerity. They look at streamlining, but also explore permanent changes to the budget incentive systems to help faculty and staff looking for ways to streamline. Some address vertical rather than horizontal program cuts. Others consider refocusing mission in light of taxpayer revolts which altered where universities thought they were going. The studies describe an expanded commitment to serving their communities, and explore enrollment growth financing. The approaches described range from creative partnerships to programmatic changes in scale and scope to quality management projects, but they all have a common result: significant resource economies without diminution of quality or access. Institutions included in the case studies are the California State University System, Cleveland State University (Ohio), Southern Oregon State College, State University of New York at Geneseo, Towson State University (Maryland), University of Central Florida, University of Maine System, University of Southern Colorado, University of Wisconsin-Oshkosh, and Washburn University (Kansas). (JDD)

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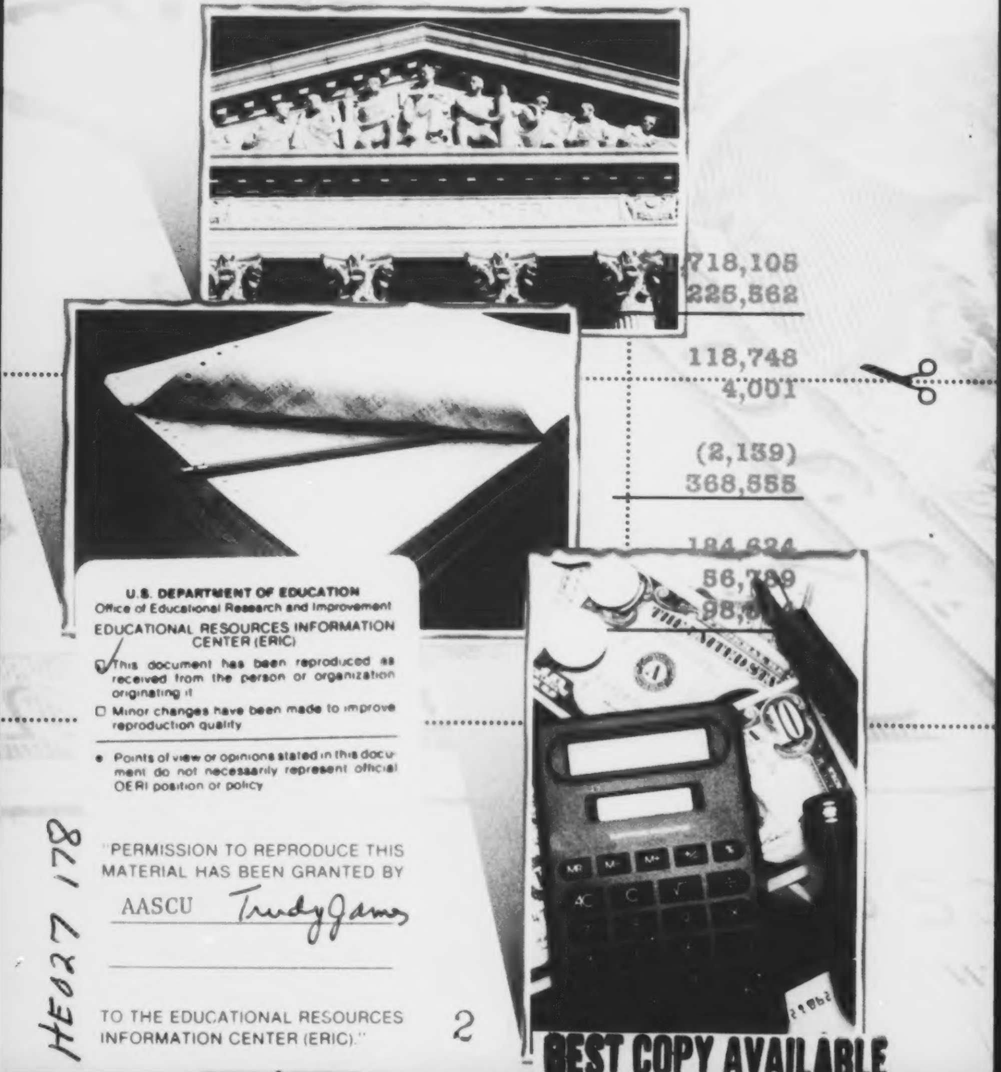
WISE CHOICES
FOR
TOUGH TIMES



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Wise Choices for Tough Times:

Innovative Resource Reallocation Strategies to Strengthen the University

American Association of State Colleges and Universities

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Foreword

John Hammang
Director of State
and Campus Relations
American Association of State
Colleges and Universities

It is not news that these are not halcyon days for American higher education. The changing times have forced the academy to take stock of what is central to mission and what is just nice to do. It has become a truism that public higher education institutions cannot be all things to all people. They just can't afford it. The changing flow of dollars has initiated much change. Change, of course, does not come readily in any institution and studying the way others have dealt with the need for change can be illuminating. To appreciate the insights offered in the case studies presented here it is helpful to look back on what has come before.

For American higher education the "glory days" began during World War II with the partnership of government and university in defense research. American higher education grew substantially. The G.I. Bill, cold war defense spending, the baby boom and the Great Society programs all contributed to a growing market and growing resources for higher education. State budget makers supported those trends and created the world class system we now have. But those times and those motivations have largely changed. Enthusiastic state support for expanding higher education budgets and facilities has all but evaporated. Over a 10-year period higher education saw its share of state and local revenues decline from 7.6 percent to 6.2 percent. A stagnant national economy contributed mightily to a $7.7 billion decrease in state higher education purchasing power in the early 1990s when mid-year cuts, appropriations and inflation are taken into account. Increasingly state officials are willing to shift larger and larger percentages of the cost of higher education onto student tuition and fees—sometimes with a promise, but never with a guarantee of sufficient student aid to assure access. Over a single decade tuition and fees changed from supporting 23 percent of public higher education expenditures to shouldering 28 percent of the burden. Most significantly, new societal priorities have displaced higher education. States now spend more money on Medicaid than on higher education and that trendline is increasing. Prison building and staffing regularly receive more new state dollars than higher education.

At the same time, state officials have become increasingly critical of higher education. Accountability and restructuring are education buzzwords around the state house. The last several generations of college presidents and chancellors rarely experienced such scrutiny. Legislators are willing to say that there is no political risk in how they vote on higher education issues—elections are not won or lost on such issues. Higher education is not viewed by the public as new and exciting. Rather it is viewed as more of the same government bureaucracy and government spending.

It is in this environment that universities, led by their presidents, must reassess what they are, who they serve and how they must do their work. Across the board cuts and marginal changes no longer serve to answer the questions being raised. The American Association of State Colleges and Universities is first and foremost an organization of presidents helping presidents. The case studies assembled here are stories of real efforts to deal with the every day pressures of leading a college or university while keeping track of where you are going and why. They particularly describe strategic review and planning efforts in times of fiscal austerity. The studies reflect the realities of the times. They look at streamlining, of course, but they also explore permanent changes to the budget incentive systems to help faculty and staff looking for ways to streamline. Some address vertical rather than horizontal program cuts. Others consider refocusing mission in light of taxpayer revolts which altered where they thought they were going. The studies describe an expanded commitment to serving their communities. They explore enrollment growth financing.

Although not written to demonstrate the creativity and intelligence of college presidents, these thoughtful approaches do that and show the resiliency of AASCU presidents and their institutions in stressful times. The decisions taken by college leaders in this time of transition will frame the nature and effectiveness of American higher education in the forseeable future. The institutional choices reflected in these studies can help illuminate the way.

Introduction

Robert C. Shirley
President
University of Southern Colorado
and Chair, AASCU Task Force
on Institutional
Resource Allocation

The case studies contained in this publication reflect a significant amount of effort by several individuals and institutions, and I am pleased to acknowledge their efforts. The authors deserve credit, of course, as does the AASCU Communications Division that spent many hours organizing and editing the materials. We are grateful to AASCU and its president, Jim Appleberry, in particular for his continuing efforts to publicize the creative and substantive contributions being made by member institutions.

This publication is a result of the efforts of AASCU's Task Force on Institutional Resource Allocation which began its work approximately two years ago. The purpose of the task force was to identify creative approaches to resource allocation being taken by AASCU member institutions and to share those results with our colleagues. The approach taken was to focus on a few case studies, rather than employ a broad survey research methodology.

The ten institutions contained in this volume were found to have implemented new and different ways of confronting the fiscal realities prevalent today. The approaches described in the various case studies range from creative partnerships to programmatic changes in scale and scope to quality management projects, but they all have a common result: significant resource economies without diminution of quality or access. We share these case studies with our colleagues and the general public not to demonstrate perfect wisdom in this matter, but rather to share important contributions to managerial practice in higher education.

Authors of the case studies would welcome substantive critique of the works contained herein, and any comments or questions should be directed to Gay Clyburn at AASCU headquarters. Gay, in turn, will contact the appropriate individuals to facilitate desired dialogue.

California State University System

Barry Munitz
Chancellor

The California State University (CSU) is the largest system of senior higher education in the country. There are twenty campuses extending from Arcata in the north to San Diego in the south. The oldest campus is San Jose State University, founded in 1857. The newest is CSU San Marcos, which opened in fall 1990.

Under the State of California Master Plan for Higher Education (the Master Plan), the CSU draws its students from the top one-third of California's high school graduates. Since 1960, the CSU has awarded more than 1.2 million bachelor's degrees, 235,000 master's, and 200 joint doctorates. The CSU prepares more than 70 percent of the public school teachers educated in California and abut 10 percent of the nation's instructors. The system produces 50 percent more business graduates and more computer scientists and engineers than do all other California universities and colleges combined. The campus libraries serve as the repository for more than 13 million books and periodicals.

There are currently more than 1.2 million alumni of the CSU. They live across the country and around the world. More than 200 alumni, including thirty-nine legislators, work in the state capital of Sacramento. It has been estimated that as much as 10 percent of the state's labor force consists of CSU alumni.

The CSU is governed by a 24-member board of trustees, five of whom are ex officio members. Eighteen members are appointed by the governor; the alumni trustee is recommended by the alumni council and appointed by the governor. The alumni, student, and faculty trustees serve two-year terms; the other appointed members serve eight-year, staggered terms.

The fall 1992 enrollment (head count) for the system was 347,693, a decline from 361,904 the previous year. For 1992-93, financial aid in the amount of approximately $467 million was distributed to 110,000 students, or about 32 percent of the total student population (average award was $4,250). Approximately 19,200 students lived in campus housing, or about 5.5 percent of the student population. The total number of employees as of fall 1992 was 33,856 and the total faculty 16,615 (10,858 full time and 5,757 part time).

In fall 1992, the graduation rate of the system climbed to 55.8 percent. About nine out of ten graduates earned their degrees at the CSU campus where they began their university career. The graduation rate is expected to rise to 59.6 percent by no later than 1999. A graduation rate of nearly 60 percent is on par with the best of peer state universities and colleges.

Institutional History

The California state colleges had their formal beginning in 1862 with the founding of the State Normal School in San Francisco (which later moved and became San Jose State College). In succeeding years, with population growth and the return of U.S. service people from the armed services after WWII, there was a demand throughout for more schools, and nineteen additional separate schools were established up and down the state.

By the late 1950s, the state colleges had grown substantially, as had the University of California and junior colleges. With the expected growth still to come in the 1960s, the need for coordination of the institutions became very apparent.

In the 1959 session of the California legislature, twenty-three bills, three resolutions, and two constitutional amendments were introduced calling for new campuses and for changes in the structure of public higher education.

This was the background for the Master Plan for Higher Education in California. A legislative resolution in 1959 called for the preparation of a "master plan for the development, expansion and integration" of higher education in California. The Master Plan has been widely used throughout the nation as a model; it has served as a landmark in the governance and planning of higher education in the world.

The California State College system was thus established under an independent board of trustees in 1961, creating a federation of the eighteen campuses that had been relatively independent for most of their history. The functions of the California State Colleges were defined to include undergraduate and graduate programs in the liberal arts and sciences and in applied fields and professions leading to baccalaureate and master's degrees and to joint doctoral degrees under certain circumstances with the University of California. The selection of students for the California State Colleges was redefined to set eligibility for freshmen at the top 33-1/3 percent of secondary school graduates (the UC accepts the top 12.5 percent and the community colleges accept all students who can benefit from the community college experience), and the system was to limit lower division enrollment to 40 percent of undergraduate enrollment, thus diverting substantial numbers of lower-division students to the community colleges and enabling large numbers of upper-division transfer students.

Following the adoption of legislation establishing criteria for "university" designation in 1971, nineteen colleges became the California State Universities and Colleges, and a few years later became The California State University (CSU) system. The twentieth campus was established in San Marcos in 1990.

State Fiscal Environment

Since 1960, when the Master Plan was established, the state has displayed extraordinary commitment to fulfilling it and funding its respective segments, although the prior thirty years had included at least three periods of financial belt-tightening. During the last three years the state has been experiencing a period of unprecedented economic decline that has prevented it from continuing its historic level of support to higher education. Almost $1 billion in funding support has been lost to higher education because of budgetary shortfalls.

Coupled with the recent economic decline is the history of the electorate establishing policy for the expenditure of state funds. California over the last fifteen years has become famous for the practice of establishing taxing policies and spending priorities by way of electorate initiative and referenda (e.g., Propositions 13, 98, and the "Gann Limitation"). With the establishment of entitlements, statutory formulas, and constitutional provisions the governor has only about 15 percent of the state general fund budget for discretionary use for specific policy objectives. The rest of the budget, approximately 85 percent, is mandated via initiatives and referenda. These conditions have seriously hindered funding for higher education. In fact, there has been a gradual decline.

Like the nation's, the California scenario is not a pretty picture. Both face several hurdles to a strong recovery—continued industry restructuring, high consumer and business debt levels, and weak export markets.

California continues to experience a decline in a number of economic sectors. Weakness continues in the state's aerospace, construction, and retail trade industries. Permits for new construction remain depressed, with commercial, industrial, and office building activity currently at the lowest level of the current economic cycle. Also, taxable sales and personal income tax withholding continue to lag behind estimates, suggesting that retail spending and personal income remain sluggish.

It is estimated that the state has lost 800,000 jobs since 1990. The state's unemployment rate reached an average of 9.9 percent in the fourth quarter of 1992, far above the national rate of 7.3 percent for the period. Diverse factors have converged to impair the state's economic performance and recovery: national recession, defense declines, overbuilding of commercial structures, and government regulatory and fee issues, such as air quality improvement programs and worker's compensation. The basic economic indicators for California are projected to be quite weak for at least the next two years.

Many of the governor's proposals hinge on credit incentives spurring job creation in the state. The governor has recommended no new taxes in the face of increasing demands on the state to provide service to currently qualified recipients. It has also been requested that all state agencies and departments reduce their operational budgets by 15 percent, which will likely result in a reduction of state services and the possible elimination of several thousand state jobs.

The accumulated problems of California, partially masked by the boom of the 1980s, are severe. A major economic turnaround for job growth, the unemployment rate, or personal income is not imminent. The resulting budget deficits will reduce funds for higher education, including the CSU.

CSU Fiscal Environment

CSU is one of the three public systems addressed in the California Master Plan. The other two are the University of California (UC) and the California Community Colleges (CCC). The three policies forming the foundation of the Master Plan are: broad *access* to higher education for the citizens of California, availability of academic programs offering high *quality*, and maintenance of *low fees*. Access and quality have historically been the goals of higher education in California. The maintenance and preservation of low fees has been an integral component for achieving the goals of access and quality.

The CSU is dependent on the state general fund for approximately 85 percent of its operational support budget. The state capital outlay program, funded primarily through bond indebtedness and dependent on voter approval, provides for construction of buildings, eliminating of deficiencies in various areas (structural, health and safety code, utilities, instructional and support facilities), support of off-campus centers, and energy conservation for twenty campuses statewide. Because of this dependency, the system is vulnerable to state budget deficits and, hence, decreased appropriations.

State funding priorities have changed, resulting in less funding for higher education and more for health, welfare, and corrections. Between 1988 and 1992 the percentage of the state budget going to the CSU has measurably declined—and represents *a half-billion-dollar hole* in the CSU budget. Back in 1986-87 the CSU appropriation share was 4.53 percent of state revenue; unfortunately that share has slipped to 3.63 percent in 1993-94.

Concurrent with this decline in state funding is the projected enrollment increases. The state population is growing rapidly, as are the college-age and K-12 student cohorts and their diversity. Despite these growth trends, the state is reducing its funding to higher education. Consequently, there are more students than the CSU can adequately serve under the expectations of the Master Plan at this time. Appropriations are viewed from the perspective of "how many FTEs will the funding support?" as opposed to "How much funding will be needed to support the FTEs we have?"

State economists do not foresee any measurable signs of significant recovery for the state until mid- to late 1994 at the earliest. The head of one of the key legislative budget oversight agencies recently remarked that the budget gap for fiscal year 1992-93 is projected to be $8.6 billion before any legislation or "stop-gap" measures are enacted. The budget deficit carried forward to 1993-94 may grow to $3.4 billion; even if revenues grow faster than expenditures for 1994-95, the deficit carryover will grow to approximately $5.2 billion.

For the CSU and other systems in public postsecondary education in the state, the short-term picture will likely be more of the same and not much state budget relief in sight. There will be tremendous pressures to "hold the line," but many administrators know that if the "train leaves the station" and many of the potentially new incoming students are left behind, the effects will reverberate throughout the state for years to come.

Resource Allocation and Other Strategies

The CSU is at the forefront of fighting for social mobility and economic service for California. However, recent reductions in state support to the CSU have endangered its ability to further these goals. In light of the difficult and uncertain circumstances these budget cuts produced, the board of trustees, the campus presidents, and the constituencies of the CSU have exhibited fantastic skill in addressing the needs of students. But the system is still in trouble.

The governor and legislature have recently provided unprecedented latitude for the CSU to manage its own affairs, which has greatly enhanced the system's ability to handle fiscal crises. Having flexibility to allocate resources is a critically important aspect of the capacity to serve students and to operate efficiently, especially in times of scarcity. Progress made in this area of management is unquestionably the highlight of what can otherwise be described as a disappointing budget year.

The CSU must strive to retain its social contract because the return on the state's investment in the CSU can be readily measured in terms of benefits to the state and to the individuals served. The CSU is an instrument for preserving the moral commitment of constructive socioeconomic mobility. It is a major economic engine for the state through its programs and the development of an educated work force. Evidence of this role is as follows:

- One of nine teachers for the country and three of four for the state are trained at the CSU.

- In California, 80 percent of those who transfer from a community college to a public university and earn a bachelor's degree graduate from a CSU campus.

- The system produces 50 percent more business graduates and more computer scientists and engineers than do all other California universities and colleges combined.

- CSU faculty provide a major contribution in public policy analysis and applied research.

- One of the system's major objectives is to address the underrepresentation of ethnic groups in higher education. (Although the number of minority students in the CSU has increased over time, it has not kept pace with the general population growth of minorities in the state.)

For all of these benefits, the CSU definitions of quality and access must continue to include availability to new constituencies and affordability for those in need. In order to achieve this, California must place its priority and align its policy directions in these areas and back them with budgetary support. The clear focus must be on quality and affordability and on increased returns for California's investment.

One needed modification is to adopt pricing patterns for California public higher education that more nearly mirror the tuition and fee policies of similar institutions in other states. This modification should provide for a predictable and reasonable adjustment of student fees from year to year so that students and their families are better able to plan for university attendance. In addition, institutions should define clearly to students what those fees will "buy." A rational framework for higher education might include measures and criteria derived from: institutional mission and priorities; differential costs associated with student level, objective, and enrollment status; incentives to improve access in terms of entry into the university system and shortening time to degree; and the considerable disparities of family income and wealth among those seeking California higher education.

Any long-term fee and aid policy, particularly one that requires a greater average contribution on the part of students and their families, must be accompanied by a commitment from the state to assume its share of the partnership. (The policies suggested here are predicated on the CSU's retention of current levels of state appropriations.) The state's general revenue fund should pay for the access of additional students headed toward state universities. Thus, the only way to ensure a high level of student access in the short run is to recover a higher level of state appropriation.

The economic recession of the state has prompted a dramatic increase in student fees. To prevent the increase in fees from becoming a barrier to access, the state needs a comprehensive program of student aid. A dramatic improvement in student aid is essential to meet the challenge of increasing disparity in family incomes in California, which causes increasing disparity in students' ability to pay for college. A well-defined set of policies for student financial aid must be linked directly to student fee policies. The CSU is working with the University of California, the other segments of higher education, and relevant state agencies on a broader, long-term review of how California raises and allocates funds for aid. This will require fundamental reform in present student aid programs.

CSU 1993-94 Budget Priorities

The 1993-94 budget request rested on twin priorities for increased resources: closing the enrollment gap and strengthening employee compensation. CSU aspires to fulfill its Master Plan mission of providing eligible Californians quality education at reasonable cost. As resources permit, CSU will strive to recover lost enrollment caused by budget reductions in the past two years. In addition, management must improve compensation for faculty and staff. By the time the 1993-94 budget finally permits a modest compensation adjustment there will have been a three-year erosion in salaries, which, if not corrected, will prove disastrous in loss of ability to recruit and retain leading faculty, staff and other personnel who can provide high-quality instructional and support services.

Other key policies for which the system requires firm public guidance and adequate resources are as follows:

- *Academic recovery and student financial aid.* These expensive commitments must be continued if Master Plan goals are to be met.

- *Efficiency and productivity*. Quality can be improved economically. Innovation and reform can be used to improve productivity. The proposed budget commits the CSU to a rigorous examination of ways and means to achieve economies and enhance effectiveness: "business as usual" is not acceptable.

- *Increased administrative authority and managerial discretion of the* CSU. In the face of rising demand and declining resources, flexibility in the management of those resources is imperative.

- *Reform of internal budgetary processes*. The 20-year-old formulas and standards used to calculate expenditures for a student-demand driven budget are no longer relevant and must be replaced for the sake of the institution and those to whom it is accountable. Not only are they incongruous with the state's financial condition and policy expectations, but they do not meet the needs of this dynamic and multifaceted university system. the work of several budget task forces and consultation with trustees, presidents, students, faculty, and other employee representatives has led to a number of changes in the proposed budget for 1993-94, including:

- separating the generation of state budget appropriations from the internal allocation of budget resources

- managing enrollment to the level of budget resources available to provide reasonable support and lead to appropriate graduation rates

- delegating programmatic management of budget resources to campus presidents and their consultative constituencies—with concise system guidelines and public standards for accountability

- implementing new forms of accountability based upon performance outcomes and policy objectives to ensure appropriate use of funds to the publicly funded agencies of the state.

The 1993-94 support budget frames these priorities and provides the basis for continuing deliberation with the board of trustees and with constituents of the CSU on the basic policy issues as well as the recommendations for new budgetary methodologies. In cooperation with the

California Postsecondary Education Commission (CPEC) and the University of California (UC), the CSU will be addressing fundamental questions of faculty resources, access and cost, and their implications for the level of student fees and financial aid.

Budget Recovery

The funding level requested from the state for 1993-94 does not begin to restore the loss of support sustained during recent years but would start the recouping of the CSU traditional share of the state budget. As previously indicated, the hole in the CSU budget has grown to a half billion dollars. The CSU must aggressively seek to restore CSU's "fair share" despite the times. To do otherwise would sacrifice the commitment to current students and severely jeopardize the state's reliance on future generations.

The CSU administration will continue to work with CSU student representatives, other university constituencies, and the California Postsecondary Education Commission to develop a longer-term fee policy that provides a reasonable and predictable framework for university students and families. Adequate financial aid, and the state's role in funding it, must be central tenets of such a new policy; otherwise, the traditional CSU provision of social mobility for California's changing work force will be severely threatened.

California, like the world around it, is experiencing fundamental challenges. Competition is more intense, resources more limited. As California meets the tests posed by these changes, one thing must not be sacrificed: the state's historic commitment to accessible, high-quality, public higher education. CSU's contribution to enlightened citizenry has never been more essential.

Obstacles

The challenge faced by the CSU and, indeed, the state's policymakers, is how to achieve the goals of the Master Plan for Higher Education in a profoundly different environment than the one that spawned its great aspirations for California's citizens. The enlightened self-interest of the state compels policy-makers to focus on the priority that must be accorded to providing the opportunity for Californians of every economic circumstance to gain the higher education they seek and for which they have earned eligibility. This priority for California is an economic strength and vitality. The goals of access and quality are the foundation of the Master Plan and the centerpiece for the development of the CSU. The pursuit of new approaches to preserving these goals is the impetus for this policy framework.

The framework for changing pricing and financial aid policies to achieve quality and affordability of higher education in the CSU is founded on a new reality for California—one that does not anticipate return to the circumstances of an earlier era. Californian society is becoming increasingly diverse. The intent of this proposal is that the state subsidy would provide fundamental access for students who meet the entry qualifications, and that CSU pricing policies would enhance the quality of their educational experiences. This policy is predicated on higher charges to students, offset by improved financial aid, and on sustained commitment by the state to fund a higher education opportunity for CSU students.

Following this strategy, the state and the CSU together would direct financial support for the maximum social advantage, and would achieve through aggressive financial aid programs, true opportunity for each individual student. Achievement of this goal will require a more effective and more comprehensive program of information and outreach on student financial aid than has ever before been implemented. This policy framework calls for a new partnership commitment from the students, the state, and the university. Each is called upon to sacrifice and to innovate. The new direction is not pleasant, not easy, but the best among difficult alternatives.

Plans

Policy-makers must seek to preserve the goals of the Master Plan under an entirely new and different set of economic and demographic circumstances.

Following are some of the steps that the CSU will take to redefine its commitment to the plan.

1. Low fees (price) will be replaced with:

- a new policy framework for the CSU that looks to a new partnership between the state and the students (2/3 and 1/3), moving the student fees closer to the national average for institutions similar to the CSU

- a fee policy that will be accompanied by a new financial aid policy in which state student aid funds will focus on students whose college attendance depends on financial aid
- the introduction into state student aid programs of the concept of horizontal and vertical equity
- focusing priorities on first-time students within CSU (whether transfers from community colleges or freshmen) and on those students with the greatest need
- the intent of this approach is to replace the previous programs developed in connection with the Master Plan in which public universities had very low prices and therefore the state student aid program could be focused on students with the highest academic achievement and on students who would choose to attend private colleges in California.

2. Quality will be constructed through improvements in productivity and more effective uses of emerging technologies.

Productivity issues will involve:
- redesign of business processes, resulting in a more efficient organization and staffing and more effective use of technology
- an examination of administrative costs and comparison of these to benchmark administrative costs leading to a selection of those administrative areas that should be examined and redesigned. (This is being accomplished by participation in a NACUBO Benchmark Study.)
- development of unit costs of education and comparison with other institutions and identification of trends in these costs
- implementation of a program to encourage productivity (Currently envisioned is a Productivity Investment Fund to provide loans/grants to fund projects/programs that improve productivity.)

Quality issues will involve:
- use of technology to improve and increase access to academic course offerings
- review of how library and information services can best be provided in the twenty-first century
- review of the faculty reward structure, with intent to improve the quality and effectiveness of teaching.

3. Access will be addressed by segmenting the enrollment market and by delivering systems closely matched to the needs of each market segment. The CSU will continue to evaluate the capacity of campuses to serve a rapidly growing population.

Final Comments

In response to its dire budgetary circumstances, the CSU has conducted over the last two years two separate studies of major magnitude. Two systemwide committees were convened, charged by the chancellor to produce a new budget allocation and budget development process, respectively. The deliberations have involved representatives of all CSU constituencies and state budget review agencies (executive and legislative). In many respects the unprecedented state revenue and budget crises of 1991-92 through 1993-94 have already prompted a radical change in the CSU budget process. With the major economic turmoil in the state, a window of opportunity has opened—and is supported to a degree by the legislature—for the CSU to have greater autonomy and flexibility in budget decisions and management.

Given this opportunity, the CSU has embarked on several major study initiatives to complete the design of a new budget process for use in 1994-95. Of course, the specifics of the new budget format, calendar, etc. will be modified and fine tuned after the initial implementation, but the objective is to implement a process that optimally serves the campuses, trustees, and state and thereby facilitates the achievement of the public education mission.

Cleveland State University

Richard J. McArdle
Acting Provost

Cleveland State University (CSU) was established by action of the Ohio General Assembly on December 17, 1964. Classes began in the spring of 1965. Enrollment grew steadily over the years to a head count of over 19,000, although it has fallen back over the last two years to about 17,300. CSU has graduated more than 65,000 students over the past twenty-seven years, 85 percent of whom have remained in the Greater Cleveland area.

Located in downtown Cleveland, the campus consists of approximately thirty-five buildings on eighty acres. Distinctive features include the new music and communication building, the five-story glass atrium of the university center known as "the Cage," Rhodes Tower, Fenn Tower, the Science and Research Center, a geodesic dome intramural sports center, and historic Mather Mansion. A 13,610-seat, $55 million convocation center is the latest addition.

CSU has seven colleges, including arts and sciences, business administration, education, engineering, law, urban studies, and graduate studies. The division of special studies provides remedial programs, and the division of continuing education offers noncredit courses to over 14,000 students each year. Project 60 offers free classes to senior citizens on a space-available basis.

The university has fifty-seven undergraduate programs, twenty-seven master's programs, two advanced degrees in law, six doctorates, two educational specialist degrees, and a joint law/business J.D./M.B.A. degree.

A member of NCAA Division I, the university has men's sports consisting of baseball, basketball, fencing, soccer, swimming, and wrestling. Women's sports consist of basketball, cross country, fencing, softball, swimming, tennis, track, and volleyball.

A number of extracurricular programs are available to students, including a student-run FM radio station, two student newspapers, fifteen fraternities, eight sororities, and 100 student organizations. The student body at CSU consists of approximately 50 percent men and 50 percent women, 19 percent minorities. The average age is twenty-seven, with nearly one-third of the student population in graduate school or law school, and roughly 300 in doctoral programs. About 85 percent of CSU students work full or part time; 97 percent come from the surrounding five-county area. Approximately half are enrolled full-time and half part-time. Day students constitute 53 percent of the enrollment, evening students 30 percent, and 17 percent attend a combination of night/day/weekends.

CSU employs 565 full-time faculty, 528 administrative/professional staff, 489 civil service employees, and some 1,500 part-time students for an annual payroll over $75 million. Nearly 80 percent of the faculty have their terminal degree.

Overall Fiscal Environment

Cleveland State University is part of the state-supported system of higher education in the State of Ohio. As such, CSU receives an annual state subsidy appropriation for the operating budget and a biennial appropriation for capital improvements, such as the construction of new facilities, major renovation of existing facilities, and purchase of land for campus development. The annual appropriation is determined through the application of a formula developed by the Ohio Board of Regents and approved by the state legislature. The biennial appropriation is developed through a needs assessment analysis performed by the Ohio Board of Regents with final approval determined by the state legislature.

During the 1980s, the state of Ohio underwent several economic difficulties resulting in the state's inability to fund the institution fully according to the funding formula. In those years when the annual subsidy did not keep pace with rising costs, the university was forced to rely on increases in student fees. The cumulative shortfall in state subsidy during the 1980s for CSU was $48.5 million, or 2.2 percent of the total earned subsidy.

The first three fiscal years in the 1990s have been similar to the 1980s in that the economy has not allowed the state to fully fund the state funding formula. Shortfalls have averaged nearly 3.5 percent in FY 90, 91 and 92.

At the start of the 1992-93 fiscal year, the governor of the state received from his appointed Managing for the Future Task Force a major report containing recommendations to make higher education institutions more effective and efficient into the future. A revision to the state funding formula is being developed for implementation in the 1993-94 fiscal year, and the process for allocating biennial appropriations for capital expenditures is being reconsidered. The governor's management theme of "doing more with less" will result in changes on each campus to improve methods of instruction and management.

Maintaining financial stability has been a continuous goal for CSU. During the 1980s, the university's expendable fund balances—i.e., unrestricted reserves available for short-term and long-term reserves—have been maintained at 6 percent-10 percent of total annual expenses. During this period, the annual operating budget has increased from $54.8 million in 1981 to $113.2 million in 1990. The university has incurred long-term debt of less than $3 million with annual debt service of less than 1 percent of unrestricted current fund revenues. After some declines in the mid-1980s, enrollment rebounded to a record head count of 19,200 students in the 1990 fall term. That same enrollment was achieved in the 1991 fall term but has fallen 5-6 percent per year over the past two fall quarters and currently stands at 17,300.

There has been a severe funding problem the last two years, however, which has allowed only a 2 percent and zero percent salary increase for the past two years, respectively, and there is little hope that the environment will improve soon. In addition, students are hard hit by the economy, too, and may not be able to afford the additional fee increases.

Resource Allocation Strategies

The basic resource allocation strategy in the past has been one of short-term planning, especially for the operating budget. The institution operated on a year-to-year basis with little consideration of longer-term issues, except as were apparent in the biennial budget approved by the legislature. Capital planning, however, was more long term in approach simply because of the state requirements for submitting such plans well in advance.

During the past two years a strategic planning process has been implemented that attempts to bring the budgeting and planning cycles together and to tie resource allocation to institutional priorities.

The institution has employed the usual strategies for enhancing revenues, such as conducting a capital campaign, seeking funded research projects and service grants, tinkering with the state funding formula, and developing enrollment management approaches.

Two years ago, as part of the strategic planning process, CSU implemented a program review process. It calls for every unit and/or program to be reviewed against the criteria of centrality to mission, quality, demand, competitive advantage, and cost. All nonacademic units on campus were reviewed by a university committee against the criteria, and recommendations were made about each unit's performance and its future funding needs.

All academic programs in the university have completed their own self-studies, which have been reviewed by the respective college committees and the dean of the college. The dean of each college has been required to rate each program against the criteria and to rank them in terms of importance to the college. Further, he or she is to recommend whether a given program should receive additional funding, remain at the same level, or have reduced funding. All of these recommendations will be reviewed at the university level by the appropriate committee as part of the strategic planning process.

Because of serious budget cuts required of the university this past year, the president and provost had to make some short-term decisions about funding without the full input of the strategic planning process. After careful analysis, they gave each unit a target figure of cuts to make. Because the state gave no assurance about how deep the cuts will go this year, the colleges and other units were asked to plan for three potential phases of cuts, with each unit being given a specific target figure for each phase. At present, CSU is completing phase two of the cuts and hoping that the third phase will not be necessary.

The former acting president played a major role in the strategic planning process. He was instrumental in developing the initial university plan and initially chaired the University Strategic Planning Committee through most of the first year of its existence. Faculty and staff members were involved throughout the development of the university's plan and have played a major role on the Strategic Planning Committee.

At present, the university has no collective bargaining unit for the faculty and professional staff, although an election on establishing an American Association of University Professors bargaining unit for faculty has been scheduled late in fall quarter 1993. Classified staff, the police, and safety forces are represented by unions but, for the most part, have not been influential in this strategic planning process.

CSU's status as an urban university subjects it to pressure from outside interest groups. It is not possible for an urban university with a true urban mission to separate itself from the push and pull of urban politics. As a result, the university has attempted to respond to these pressures in its planning process.

The general public's dissatisfaction with higher education seems magnified in urban areas, in that no one seems to feel the university contributes enough to improve political, social, and economic conditions in the city. Actually, however, most CSU graduates remain in the area and find jobs.

Although the state board of regents is a coordinating—not controlling—board, a recent state task force report recommends giving the board more authority.

Obstacles to Strategy Implementation

The primary obstacle to implementing creative resource strategies resides in the people at the institution who resist change and who advocate for their own division with little thought to the university as a whole. Individual faculty members, for example, strongly advocate the need to eliminate weak programs in the university. Faculty committees, on the other hand, resist any attempts at eliminating programs and prolong the decision-making process.

Attempts to increase faculty workloads have been met with general resistance by faculty who feel that some rights have been taken away from them, even though the workload policy has clearly been on the books for years but never enforced. Professional staff and civil service employees also resist any change in duties or responsibilities. Attempts to cut programs or change directions also can easily run afoul of pressure groups in the community who see the university as being all things to all people. Finally, at a time when the university is trying to reallocate its resources, the federal government and other agencies are increasing their monitoring roles and insisting on an increasing amount of paperwork.

Incentives

Among incentives CSU uses to stimulate receptivity to the new strategies has been the president's series of brown bag lunches with 25-30 faculty members at a time. The meetings allow the expression of faculty concerns as well as explanation of the planning process and the answering of questions. In spite of severe cuts in the university budget, the administration has held fast to an intent to provide merit raises in January if at all possible. CSU is the only university in the state planning any increase in faculty and staff salaries. Early retirement programs for professional staff and faculty have already been approved by the board of trustees.

Negative conditions have also provided incentives, albeit unintentional. Budget cuts resulting in layoffs have certainly caught everyone's attention. Unfortunately, such incentives are not morale boosters and, therefore, not in CSU's best interests.

Results

Results to date are somewhat mixed. Budget cuts have been made, but it is too early to determine whether these decisions will save the university the amount of money projected or will weaken the institution more than anticipated. The morale of the faculty and staff is low, given the budget cuts and layoffs, and there is increasing concern among faculty that their programs may be cut or reduced. Faculty, staff, and administrators feel they have limited control over their destiny, given such outside forces as the federal and state governments, the board of trustees, the board of regents, foundations, the community, business and industry, etc.

Plans include continuing the strategic planning and carrying out institutional mission to the best extent possible. Obviously, CSU, like other institutions, will need to become more creative in problem solving by sharing resources with other campuses, delivering services in unique and special ways, and evaluating performance at all levels. Finally, administrators and department heads must become more effective managers.

A strategic planning process has been put in place and is moving forward, but not everyone is behind it yet. However, as more people recognize the new challenges for higher education, a new spirit of cooperation will surface.

Southern Oregon State College

Joseph W. Cox
President

Southern Oregon State College (SOSC) is a comprehensive, five-year institution in extreme southwestern Oregon's Rogue River Valley, only a few miles from the northern California boarder. It is located in Ashland, a theater and arts community of 17,000 people in an alpine setting at the base of the Siskiyou Mountains.

Ashland is home to the Oregon Shakespearean Festival, which annually attracts 350,000 to 400,000 visitors. The nearby Peter Britt Music Festival in Jacksonville is similarly responsible for the arts reputation of the community.

Southern Oregon State's primary mission is to provide quality education in the liberal arts and selected professional programs, as well as substantial public service. The service area of the college (the seven counties of southern Oregon and, to an extent, the four in northern California) is equivalent in size to the states of Massachusetts, New Hampshire, Vermont, Connecticut, and Rhode Island combined. Southern Oregon State is the only comprehensive institution in the southern half of Oregon.

Over 90 percent of SOSC's 4,500 students are undergraduate, distributed among some thirty programs. Between 8 and 10 percent are pursuing graduate work in one of the five areas of study in which the master's degree is offered. The largest single master's program is business administration, closely followed by education, which is partially a result of the college's having eliminated its undergraduate teacher program and focusing entirely on the fifth-year approach to preparing teachers. Seventy-five percent of the students come from the seven southern counties. The largest feeder states are California and Alaska. Out-of-state admissions increased 29 percent this year. Out-of-state admissions activity was up 90 percent. SOSC alumni are located in forty-nine of the fifty states, as well as the District of Columbia, Guam, and the Virgin Islands.

The campus is internationalized by the presence of a branch of the American Language Academy, the national English-as-a-Second-Language private program. It draws several hundred students from forty countries.

The college's public-service role is extensive. The Southern Oregon Regional Services Institute serves as a provider or broker of a wide range of services to private industries, government, and nonprofit agencies. Consulting, business seminars, training programs, technical assistance, and basic research in such areas as tourism have an impact on the economic diversification of the seven counties.

In addition to the branch campus in Medford, the largest city in the region, some fifteen miles away, SOSC operates smaller extension centers, utilizing educational television throughout the region in Coos Bay-North Bend on the coast, Klamath Falls to the east, and Bend in central Oregon. The region is also served by the college through one of the largest public radio networks in the country, KSOR, Jefferson Public Radio, as well as one of the more successful community cable-access television networks in Oregon.

The campus's Mark O. Hatfield Environmental Sciences Complex is home to the U.S. Fish & Wildlife Forensics Laboratory, a world-class, 30,000-square-foot plant and animal forensics facility, operated by the U.S. Department of the Interior, and the soon-to-be-constructed Pacific Northwest Natural History Museum.

Overall Fiscal Environment

Oregon's support for higher education has always been below the national curve. Part of this stems from the fact that the state has a relatively small population of under 2.7 million, spread over an enormous geographical area. There are eight institutions, supported to some extent, by the State of Oregon. None of them would qualify as more than state-assisted. In addition to the eight public institutions, there are twenty-six private, four-year institutions. Many are quite small, with enrollments of under 1,000, but Oregon is supporting, to one degree or another, a network of thirty-four institutions, in addition to its community colleges.

If one looks at the Chamber's numbers, Oregon appears to have done well over the past decade. This is somewhat misleading because the recession in the early '80s in Oregon, as a result of the collapse of the timber industry, was devastating. Thus, the 82-percent increase reported in Chambers is misleading when one considers the base from which Oregon was building. It is, in fact, still building back from what was a near disaster to something approaching normalcy through 1990.

In the fall of 1990, the voters of Oregon revolted. Frustrated with years of inattention by elected officials to a worsening and increasingly "unfair" and unbalanced tax structure of property and income tax, they passed an initiative known as Measure Five. The measure has completely changed the fiscal environment of a state that former Governor Neil Goldschmidt had led back from the brink, in something called "The Oregon Comeback."

In its simplest form, Measure Five transferred the fiscal responsibility for K-12 and community college education in Oregon from the local subdivisions to the state general fund. This was accomplished through a reducing cap on property tax rates, to be implemented over three biennia.

Beginning with the academic year 1991-92, Oregon would undergo three phases of dramatic reduction in property taxes—mostly for the commercial and large property owners, it turns out, not the residential owners who passed the initiative. Over the three biennia, beginning in 1991, the proportion of the state general fund (the basic state budget devoted to local schools and community colleges) to that dedicated to fund the remainder of state services (including four-year higher education) will be reversed. In Biennium 1, the state general fund shortfall was $750 million. The second phase of Measure Five, the second reduction in local property tax rates, will see over one-half of the state general fund budget devoted to local schools and community colleges, a shortfall of $1.3 billion. In the third and final phase of Measure Five, 1995-97, two-thirds of the state's total budget will be committed, by law, to local schools and community colleges, i.e., local property tax relief, leaving less than one-third of the state budget for all other services: police, the courts, health and human services, higher education, etc. Of course, legislative efforts orchestrated by the governor, initially and now within the legislature, are underway to stop the train before the state goes over the cliff. Whether those efforts succeed remains to be seen.

Fiscal Environment

Given its superb location and proximity to California and its regional economics and demographics, which were the second-fastest-growing in the state outside the Portland area, SOSC had a future that looked good—until November 1990. Enrollments were growing; budgets were increasing; the standard of living, though not comparable to California's or New York's salad days, was good. Enrollment had exceeded 5,000 for only the second time in the history of the institution. In the fall of 1990, SOSC was in the midst of a $20-million building program, the first major capital construction effort funded by state dollars since the early 1980s. The new Computing Services Center was the cornerstone of that new effort. SOSC had just completed its "Strategic Plan for the Year 2000," and all was well.

Measure Five turned this completely upside down. In the first biennium, SOSC would suffer roughly a $1.5 million reduction in actual general-fund dollars. In the second phase of Measure Five, to be effective July 1993, it would face an additional 20 percent, a nearly $3 million reduction in the general fund budget, and in the final coup de grace of 1995-97, yet another 20 percent. Enrollment would decline from 5,200 to 4,500, then to 4,200, and ultimately—assuming higher education can survive at all in Oregon—to as little as 3,500. Yet this decline comes at a time when the high school graduation rate in Oregon will increase 30 percent or more by the year 2000.

From the marketing perspective, a situation like this in which supply decreases as demand increases, ought to work to SOSC's advantage. To some extent, indeed it has. There has been a steady rise in the composite SAT scores, which were already the third highest in Oregon public education, second only to the University of Oregon and Oregon State. In addition, there has been a significant jump in the composite freshman high school GPA, projected for this fall to be between 3.1 and 3.2. From the faculty perspective, having better-prepared students to teach is not the worst of all possible worlds. Whether this squares with SOSC's public responsibility to a service area, where in four of the seven counties there isn't even a community college, is a serious issue. Genuine public policy issues arise dramatically and quickly.

As noted in dollar terms, the cuts that the college faced, first for 1991-93, just exceeded $1.5 million out of a total general fund budget allocation of $14 million. (The college's total budget is $42,800,000).

SOSC was through with the planning for 1991-93 when it had to confront planning for, and coping with, the second phase of Measure Five, which for the state was a massive $1.4 billion shortfall and for this institution, an additional $3 million. Dealing with this type of cut over a two-year period of time creates the kind of problems that destroy institutions.

Strategies

The strategies SOSC implemented were not original, although this institution is probably in a better position than lots of its colleagues for the following reasons.

The Southern Oregon State Commission on the 21st Century spent fourteen months prior to Measure Five, developing in that less threatening environment a plan for the year 2000, which described what it wanted the college to be like in that year. Second, the plan detailed the characteristics desired in graduates by the year 2000.

The Southern Oregon State 2000 Plan—ultimately accepted by the total community, the SOSC Foundation board and lay Regional Advisory Board, and the Oregon State Board of Higher Education—did three things. First, in that very different environment, it sharpened the programmatic focus of the institution to those services which the college was, by virtue of history and location, in a position to do best. Second, it dealt with the hard facilities planning questions. Third, it changed the focus for undergraduate programming to produce graduates with the characteristics sought. In the fourteen points of the Plan, SOSC committed to reestablishing the liberal arts throughout the educational programming, to restructuring the freshman-sophomore experience around a core of disciplines that would produce specific outcomes; to internationalizing the undergraduate experience; to fostering computer literacy across the curriculum; and to being an active partner in the region's economic and cultural development.

I cannot emphasize too strongly that having the Southern Oregon State 2000 Plan finished and accepted by a broad consensus across the campus and in the community helped us steer successfully through the rocks and shoals of the next two years to a degree we could never have anticipated.

We spent the money to utilize the services of outstanding consultants in planning. We took the time to involve all of the communities we serve, so that the stakeholder group was large both on the campus and across the region. This openness helped everyone to buy into the process. Later, when the going got tough, we could fall back easily on the consensus the SOSC 2000 Plan represented. We found ourselves saying to each other, over and over again "Well, regardless of our size, we still must be more internationalized, we still must be committed to computer literacy, we still are going to be a major player in the region's development, etc." We would not have survived the tensions, the strains, and the schizophrenia of our ordeal without that strategic plan.

The second major factor that proved to be both a short- and long-term strategic advantage was the institution's entrepreneurial style. We were accustomed to behaving as a private college. In Oregon, as a state-assisted institution, we had to. Our foundation is one of the most active in Oregon public education. Its fund-raising efforts go back almost a quarter of a century, and it generates $2-3 million annually. We had just announced our first $1-million alumni endowment gift. There had been other donors whose gifts in the aggregate exceeded $1 million, but this was our first single gift of that size. We had completed our $10-million capital drive two years earlier. Foundation accomplishments range from building the Raider Stadium with private funds, to the Schneider Art Museum, to the restoration of the Alumni house, to the concert hall major organ facility, as well as a rehearsal organ facility, and substantial scholarship endowments. We were used to helping ourselves, and of the smaller institutions (i.e., other than the University of Oregon or Oregon State) we were probably at that point the most entrepreneurial. Since that time, Portland State University has joined that club.

Our third strategic advantage was that in that same environment prior to Measure Five, the college had committed itself to a hard-nosed review of the way in which it was organized. The ten-school structure of the institution had grown, as usual, like Topsy. No department had ever been recombined after being granted its autonomy. No released time, once given, had ever been taken back, and it is difficult to say whose ego gratification had more driven the ratchet—the administration's or the faculty's. Both saw an autonomous school of fine and performing arts as critical.

Again, using some well-prepared consultants, a task force paralleling the Southern Oregon State Commission, we looked at other institutions our size for imaginative ways of restructuring ourselves academically to bring better focus to the effort and to streamline the structure, reduce the number of people reporting to the provost, provide better turnaround time for faculty, and so on. The result was a careful downsizing from ten schools to five (we have since reduced to four), the elimination of five deanships, and all the concomitant structure accompanying that, and the "calling in" of all released time, which had to then be renegotiated with the provost. In total, we had eliminated roughly $250,000 in administrative costs that we fully intended to reinvest in instruction. Of course, Measure Five scooped that money up. But without that cushion, given the short time frame with which we had to plan the downsizing of the institution necessitated by Measure Five, Phase I, the consequences would have been far worse.

The strategic response to the general fund crisis took two forms. The institutions were given considerable autonomy by the chancellor's office and the board of higher education. One of Oregon's outstanding characteristics has always been a recognition that an absolutely homogeneous, cookie-cutter, eight-campus system was not in Oregon's best interest. Each institution has its own mission, its own geographical responsibilities, and its own personality. The second phase of Measure Five, 1993-95, would see us lose some of that autonomy in decision making.

In any event, we decided at SOSC from day one to avoid across-the-board cuts. To do so would dilute the quality of the entire enterprise. Decisions were made and hammered out in a series of public, collegewide meetings involving everyone in a giant quality circle, so to speak. We did not call it total quality management, but that was the objective, and we pledged ourselves as a college to the idea that "smaller would not be less, merely smaller." We would downsize from over 5,000 to 4,500 in that first reduction because we simply could not serve the same number of students with the resources that had been reduced by 10, 11, or 12 percent. The entire state system eventually came to this realization, and the system itself was downsized from 65,000 to approximately 63,000, and in the second phase of Measure Five, to about 60,000.

The system chancellor then proposed to the governor and the legislative branch that the institutions would deal with the first phase of Measure Five cuts through a balanced package of tuition increases and program reductions. The new legislative session met in January, and by May we had to have in place the new budget that would implement the first phase of the downsizing.

For SOSC, the reduction was $1.5 million, and we had little time. There were union contract agreements and other commitments to address.

If we could get through Phase I of Measure Five, we could buy ourselves nearly two years to prepare for the second phase, and our approach, as will be evident, was somewhat different. We worked out an agreement among the state system, the legislature, and the executive branch that we would accomplish half of our $90 million reduction by, on the one hand, cutting programs and enrollments, and we would balance the other half of the revenue shortfall by raising tuition an unheard-of 38 percent. Unconscionable perhaps, but we viewed it as a temporary surcharge, a short-term strategy to avoid making more program cuts. In the second year of the biennium, tuition has increased by an inflationary adjustment of 4 percent.

As an example of the long-term responses to Phase I, we closed entire programs, from the support personnel through the department chair or dean. Of course, some programs had outgrown their usefulness; such as a master's in library science, an undergraduate degree in library science and an undergraduate degree in office administration. However, we also closed programs with healthy enrollments, because of significant duplication elsewhere in the state and lack of relevance to the college's central mission. (For example, we closed half of the tracks in the health and physical education major.)

In Phase II of Measure Five, the system will again balance further cuts against a tuition increase, this time by 15 percent each year of the 1993-95 biennium. Again, it continues to be billed as a surcharge, suggesting a short-term strategy that the realists in Oregon, myself included, are prepared to believe is permanent. It makes our tuition the highest in public education on the West Coast, nationally, at about the 54-55th percentile.

One of the differences in this phase preparation is that the chancellor's office and the board have taken a much more proactive role because in Phase One we were not as coordinated a system of eight institutions as we should have been. For example, too many of the institutions phased out teacher education programs—i.e., the University of Oregon and Oregon State University—leaving a poorly distributed effort across the state. In the rush, too many of the institutions closed programs without consulting one another. This time in Phase II, that will not be the case. The effort is much more coordinated, partly because of the fact that we had nearly two years to accomplish what we previously had to do in four months.

For instance, the nursing program on this campus will be closed. it will be operated in the future as an extension of a single statewide program in nursing administered by the Oregon Health Sciences University, the medical school in Portland. Although it was a fine program, it was our most expensive, and we had to decide how central it was to our mission. That measure probably has produced more controversy than any other single programmatic action we have taken.

One of our most interesting and useful short-term planning strategies was a systematic networking with major local private companies. Our purpose was to test the thinking behind our downsizing planning. We did not expect or ask whether the CEO supported our specific directions, but rather we probed the assumptions behind the process—i.e., the decisions to consider undergraduate instruction more central than graduate, to narrow the "product line," to continue redirecting scarce resources to new opportunity areas, to make vertical cuts rather than try to preserve everything we were currently involved in, and so on.

The most controversial dimension of this process, both on and off campus, was the planning matrix wherein we attempted to review and rank, both through data analysis and a frankly subjective evaluation, every program and activity. The matrix was not original but it did prove effective in sharpening thinking.

Quality	Cost
Centrality to Mission	Productivity

The evaluation occurred in two different stages: **1.** A review of academic programs. **2.** A review of all administrative and support services. Student services activities were reviewed as part of (1) or (2) above depending on function, i.e., the advising center as part of the academic review, the financial aid office under the administrative support/support services review.

An interesting result of this private-sector networking was the rigorous testing of our thinking, which was challenged, in some cases seriously questioned, and in all cases sharpened and refined. Other unanticipated results were the enlistment of several key, influential new members to our foundation board and a wonderful stimulus for our new SOSC 2000 Capital Campaign. The entire region has rallied to the support of its college. All of this did not go unnoticed by state government and the state board of higher education. This private-sector consultation has become a permanent and important part of our planning process.

Another long-term strategy was to hit certain areas of the institution significantly harder than others. For example, administration and athletics took a heavier hit than did academic programs. We made the strategic, long-term decision to protect the library and the new computing services center from the heavier cuts of other programs.

We also decided, as a long-term strategy, that while we would close some programs, we would also consider new ones. We have gained approval from the state board and will introduce this fall a new emphasis in hotel, resort, and restaurant management within the school of business bachelor's degree. This was done with the approval, albeit by a close vote, of our faculty senate. Life and the world go on.

Another of our long-term strategies has been to become far more institutionally aggressive in grantsmanship. This has proved absolutely vital, and we have recently been successful in obtaining a Title III $2.5-million grant from the U.S. Department of Education that will allow us to do two things; both of which relate specifically to the Southern Oregon State 2000 Plan. First, it will complete the total computerization of the campus, giving us one of the most computerized campuses in the State of Oregon. Second, it will complete our EdNet interactive television network, which was partially built by the State of Oregon but left to each institution to complete. Across the seven counties, we will, in cooperation with the community colleges, deliver coursework electronically to parts of Oregon not previously served. Perhaps this will be one way we can maintain access to higher education for Oregonians in this distant part of the state. Conceivably, we could downsize in terms of the state-subsidized FTE while, in terms of the EdNet FTE, actually increase.

This community college cooperation thrust has extended to other areas, most notably the aforementioned hotel, resort, and restaurant management program, which is also a collaboration involving the two-year institutions, ourselves, and industry in a unique new venture for Oregon.

Another long-term strategy has been what we are calling the California initiative—taking advantage of the California educational demand

and the pressure and tremendous growth in undergraduate population, for example, in the Bay Area. For the first time we are actively recruiting in northern California. The significant enrollment gain we have achieved thus far has been largely the result of that effort. Out-of-state students pay, of course, full cost plus. If we are able to balance ratios carefully, this measure will allow us to keep programs in place, preserve capacity for the future, and perhaps even generate a few more spaces for Oregonians.

An additional strategy that is both short- and long-term relates to our entrepreneurial networking—our solution to problem solving. We had, for example, a fledgling but good program in broadcast media. Lacking the facilities and the ability to generate state general funds to build them, we have partnered with the City of Ashland, the cable company, the local hospital, and others to develop a state-of-the-art cable facility giving us access to the 40,000 subscriber network in southern Oregon. We now have a $250,000 broadcast laboratory facility with only a modest institutional investment of about $25,000. We have always done this kind of brokering and networking but, in today's environment, it becomes even more critical.

Strategies for Control/Reallocation of Expenditures

We have completely reorganized our budget office and have put it under the dean of administration and finance. We have made our deans and department chairs budget managers rather than cost-overrun functionaries. Over expenditures not previously approved come out of the department's budget the following year. We have provided disincentives for overspending and incentives for cost control by allowing savings and income generated to remain with the unit generating it. In this way, we have been able to turn around a struggling summer school, and by making our deans and department chairs entrepreneurs, allowed them to keep most of the profit. Enhancing summer session profit (regardless of enrollment) is simply one example of the kind of reallocation and control of expenditure we have adopted through a transfer of decision making to where it ought to be—the deans and chairs—and making them clearly accountable. Some have not made the transition.

Role of the President

The president and provost have been at the center of the planning effort. One of us has chaired every one of the public meetings—and there have been dozens. We have both been proactive spokespersons to the legislature, the state board, the public, and the media. The buck clearly stops here.

Role of Faculty and Staff

Our quality circle approach, or in the newest jargon, total quality management, involved faculty and staff members from the beginning. No one has escaped being involved who wanted to be. Every idea, no matter how off the wall, was researched, costed out, and considered. The sessions were open and free-wheeling. Our budget has become a totally open process. As a result, there has been a significant growth of trust in both the process and its management. An indication of this new climate might be the fact that the president's four-year review by the chancellor, community, and board occurred—with a significant amount of campus visitation and input—in the midst of all this upheaval . . . with positive results.

Collective Bargaining

The union's role has been minimal. Our contract in Oregon, which differs somewhat among institutions, provides language for dealing with terminations, programmatic reductions, cancellation of tenure, and so on, but as long as we operate within those guidelines, the collective bargaining unit has no separate role to play. Members, of course, have been part of the open faculty meetings and made it clear on occasion that they were speaking for the union, but they play no role in governance. Clearly, this has been a blessing: we have had to deal with only one on-campus governance structure.

Role of External Agencies

They have had little, if any, role in Phase I. In Phase II, the governor's office and her senior staff played a considerably higher profile role in determining that this would be an 80-percent budget. Executive branch guidelines were given. The governor and her staff have played more of a role in conducting "the symphony" while not composing it. We have not been particularly burdened other than at the macro level, with a great deal of external interference. There is, of course, the occasional clash of bureaucracies, but we have learned to negotiate that maze.

Absolutely critical to success has been our close work with our legislative delegates in order to avoid getting flanked. We have informed them so thoroughly with our reasons behind the cuts, with our approach, and with our strategies that when a discontented faculty or staff member or citizens' group approached them, they already had a thorough understanding and could fend off the attacks.

The chancellor's role in Phase I was limited to establishing target levels for cuts at each institution and to approving the final downsizing plan before its submission to the board of higher education. In Phase II, however, because of some mistakes made in the rush of Phase I, the chancellor's office has taken a higher-profile role, some of which has proved troubling to the institutions. The lesson here is that bureaucracy will intrude where it can, whether it is the state department of transportation, state department of personnel, state insurance commission, or the chancellor's office. The interference invariably produces a conflict between those who feel that decisions should be made locally versus system-minded persons who argue for greater coordination and the avoidance of duplication. Both positions are defensible, but presidents should be warned that every external agency will seek to justify itself by becoming "the solution" to the state's fiscal problems through centralized decision making.

Obstacles and Incentives

The most serious obstacles we encountered turned out to be fear, inertia, and the illusion that the problem is only transitory and can be waited out. Academics, like everyone else, prefer to avoid or deny rather than confront.

How did we get around that? By stimulating receptivity, through total openness and sharing of all the political inside information, which helped our faculty and community work through Elizabeth Kubler-Ross' stages of "Death and Dying" and come to understand that the ordeal wasn't temporary, that it was time to face a new environment. We had two choices: we could try our best to manage that environment and minimize danger, or we could play ostrich.

The overwhelming majority of our campus came to believe, because we believed, that SOSC had the intelligence, creativity, and will to control its destiny rather than let others do it, and that is the approach we have taken. Our provost put it very well at a spring faculty meeting when he said, "We can develop a plan for dealing with Phase II in central administration, but I would prefer to have you participate in the forging of that plan and the testing of its principles. I'd rather do it with you than to you." The faculty overwhelmingly agreed. Fundamental to this cooperation is their belief that the governance system is real, that it is not just for show, and that the president and provost will take their suggestions seriously.

Second, the president and provost effectively reflect and represent institutional interests to the chancellor's office, the state board of higher education, the legislature, and the general public. Without the campus confidence such loyalty inspires, all of the other strategy dominoes would fall.

Results

We seem to have survived the 12-percent cut and are prepared to deal with the 20-percent cut. We are committed to the idea that smaller need not be less, merely smaller. Perhaps with a more dramatically focused mission, Southern Oregon State College can continue to be, as it has been since the 1880s, of fine service to the people of Oregon.

Plans

We plan to use the Title III grant to complete two key efforts: the computerization of the campus and the regional interactive, educational television network system. This fall we will implement our new statewide program in hotel, resort, and restaurant management, which has received funding from the governor's office as an innovative industry/community college/four-year college collaboration, and we are very invested in the education reform bill, the Oregon Education Act for the Year 2000, which will totally change the secondary schools of Oregon. We are a partner with them in developing what may become an innovative, three-year baccalaureate degree for students who graduate from high school with the new Certificate of Advanced Mastery.

Finally, we continue to be optimistic that the State of Oregon will resolve the larger and much more fundamental problem of restructuring the state's tax system in the interest of greater fairness and equity and the preservation of essential state services.

State University of New York at Geneseo

Carol C. Harter
President

The State University of New York College at Geneseo has evolved since its founding in 1871 from a normal and training academy to a state teachers college to the comprehensive college it is today, having become part of the State University of New York (SUNY) in 1948 when SUNY was originally created.

Uniquely strong and influential private universities in New York—particularly Cornell, Columbia, and New York University—forestalled the creation and development of SUNY for decades after the need for affordable, accessible public education was apparent. Relegating "public" status almost exclusively to teacher training, New York created its massive public system extraordinarily late in the history of American higher education. Committed to building a first-rate public university, Governor Nelson Rockefeller allocated billions of dollars in construction and operating funds in the 1960s, during an era of unprecedented growth and spending in the history of higher education.

As a result of ubiquitous private school influence, particularly in the legislature, SUNY has always struggled for recognition, influence, and funding, despite its size and diversity, consisting of discrete institutions ranging from community colleges, to medical and other specialized schools, to comprehensive colleges, to four university centers that share flagship status in the public system. Even the land-grant mission, and significant state funding for it, resides in a "private" university, Cornell.

SUNY Geneseo itself evolved from a relatively small, unselective teachers college to a highly selective institution that has recently received national attention stemming from rankings published by U.S. *News & World Report*, *Money Magazine*, *Barron's*, *Peterson's*, and Edward Fiske's guides to higher education. Most recently, Geneseo was included in the Fiske guide of the ten best small public liberal arts colleges in the nation. Boasting a 91 percent retention rate between the freshman and sophomore years, and graduation rates after five years in excess of 70 percent, Geneseo ranks high on many indices traditionally used to measure the success of undergraduate institutions.

The college enrolls 5,700 head-count, 5,000 FTE, mostly traditional-age students enrolled primarily in undergraduate programs, with 500+ head-count students in various master's programs, principally in education and speech pathology. Slightly more than 60 percent of the undergraduates are enrolled in forty liberal arts majors, 22 percent are seeking teacher certification, and the rest major in one of four programs in the school of business.

Total revenues in 1991-92 were slightly over $60 million, including approximately $12 million in tuition revenues (passed directly to the state coffers via SUNY's income fund) and $27 million in state support (including fringe benefits and debt service).

As in virtually all public colleges and universities in the Northeast, private fund raising has been extremely modest until recently, and Geneseo is no exception, although more private dollars have been raised in the past four years than in the previous 118. Endowment is roughly $1.4 million, total Geneseo Foundation assets a bit more than $2 million. More than $500,000 of annual gifts and endowment income is used each year to fund university advancement programs, student scholarships, faculty development, and campus beautification. A feasibility study for a modest endowment campaign has been completed, and preparations are underway to begin a private campaign (with a $5-$7.5 million goal) that will culminate in 1996, Geneseo's 125th anniversary.

Until 1986, when SUNY was given more legislative authority to control its own destiny, it was perhaps the most regulated and monitored university system in the United States. While still subject to substantial external control—particularly by other executive agencies, but also by the legislature—it has made remarkable strides in recent years to provide increased flexibility. Fiscal crises have led to increased decentralization of management functions and granting of additional authority to the SUNY Board of Trustees, the singular governing body that develops and approves policy and delegates the management of SUNY to its various officers. A chancellor and a large and professionally varied central administrative staff report directly to the board, and all presidents of individual campuses report to the board through the chancellor. Local college councils are appointed by the governor for each "state-operated" campus (a category excluding community colleges), but their authority is limited to recommending presidential appointments to the chancellor and to a few other issues involving student life and parking.

Located in western upstate New York in the Genesee River Valley thirty miles south of Rochester and sixty east of Buffalo, Geneseo plays fourteen NCAA Division III sports, maintains 220 acres of property and forty buildings, and employs a total of 800+ faculty and staff, 543 (FTE) of whom are paid from state general revenues.

Overall Fiscal Environment

Funded comparatively well in the 1950s and 1960s (with low tuition), SUNY has, since the 1970s, undergone considerable compression and many years of moderate to severe financial stress, the latter particularly evident in the last decade. Indeed, in the past four years, the system received twelve cuts, many in response to the severe fiscal crisis New York endured in the late 1980s and early '90s. Because SUNY's internal distribution of funds to individual campuses is calculated by applying a complex matrix of formulas (and was originally "benchmarked" in relation to national peers and more recently to units within the system), funding is allocated in a relatively predictable way and is rarely tied either to special needs or to quality measures of any kind. Rather, the formulaic approach is designed to measure costs, and thereby allocate funds, in relation to quantifiable data, primarily although not exclusively to student enrollments.

Furthermore, because overall revenue targets are set by the state's Division of Budget (a powerful executive agency that historically has had enormous financial control over SUNY), minimal freedom exists to determine either enrollments or budgets. All tuition revenues—officially set by the board of trustees, but effectively controlled by the governor and legislature (and, so far at least, set at the same rate for all thirty-four state-operated units)—pass immediately to the mandated university income fund; therefore, no local control is possible (with the exception of a modest number of "off-budget" programs such as continuing education and some forms of off-campus activity).

Expenditure budgets are likewise determined by external forces, usually proposed in the governor's executive budget and then modified by the legislature. After the overall budget is set and a spending plan approved by the trustees, SUNY central administration distributes the funds based on the "benchmark" methodology determined largely in relation to previously negotiated enrollment goals. Not only is tuition determined by external forces, but compensation for employees is also negotiated by the governor's Office of Employee Relations with the several unions that represent the vast majority of employees in the university, including the faculty and professional staff. Moreover, until the last two years, numbers (and even types) of positions have been established or eliminated by the Division of Budget, further limiting operational decision making at the local level.

Given the extent of outside controls, and given the 12 percent reduction of funds in real-dollar terms Geneseo has suffered over the past several years (including salary freezes for three years—four years for presidents), the fiscal environment has been grim and relatively unresponsive to local concerns or campus decision making, although SUNY has increased campus autonomy in light of the severe fiscal pressure and the need to create highly discrete responses to cuts.

Reflecting the external environment that, until recently, centralized financial decision making, SUNY Geneseo historically created few opportunities for participatory planning and decision making related to resource allocation. That began to change in 1989, however, when the new president established a College Planning Council (CPC), a body of fourteen elected and appointed faculty members, two students, three professional staff members (including one vice president), the provost (a nonvoting member), and co-chaired by the president and a faculty member representative. The new president also introduced strategic program planning that included allocation of a venture fund (acquired originally by taxing all units) for proposals submitted on a competitive basis. Since that time, other budget matters have also been reviewed with the CPC, from whom advice on major discretionary spending is sought and subsequently implemented virtually without exception.

Resource Allocation Strategies

Given this restrictive external environment, top administrators have made every effort recently to maximize campus participation in local decision making and resource allocation and reallocation. This has been accomplished primarily through the strategic planning process and the CPC.

Anticipating a difficult financial period beginning in 1989, the CPC began activity by creating a mission and goals statement for the college, articulating the institution's raison d'être and its primary commitments and goals for a decade. The document took the better part of a year to create, debate, refine, and write, followed by another year in which each academic and administrative department created goals and objectives fostering those in the institution-wide document. These documents have subsequently served as the blueprint for all decisions in the college either made by the administration or recommended by the CPC.

Short- vs. Long-term Strategies

The ten-year mission and goal statement (A Quest for Excellence) articulates a vision for the college's long-range future, although it also contains elements forced on Geneseo by repeated budget cuts. Because, for example, the mission reaffirmed the college's commitment to undergraduate learning and teaching excellence (and therefore effectively relegated graduate education to a small number of professional programs serving a more local community), several master's degree programs were suspended in order to channel resources to undergraduate education. Because the institutional mission included a commitment to high selectivity in admissions, the CPC recommended eliminating the largely remedial Language Skills program. Because the document reaffirmed a central commitment to the highest quality liberal arts core, the CPC recommended eliminating the physical education requirement and, hence, the physical education faculty were moved to coaching and support positions. Because the goals included enhancing technology, particularly computer technology for instruction, resources were reorganized to take advantage of some attrition and to focus on academic computing.

On the positive side, the CPC, together with the college senate and faculty and professional staff union, argued for the minimum number of retrenchments and layoffs. In response to that concern and to the shared desire to minimize actions that would be destructive to morale and the otherwise high level of spirit on campus, the administration took advantage of attrition and the state's early retirement incentive program and was able to reduce, from 1989-93, 9 percent of the college's state-supported positions without retrenchment or layoffs of *any* faculty or staff. In addition, several reductions and reorganizations in student affairs, academic support, and administrative services made it possible to staff classes at virtually the same level as in 1989, albeit with some increase in the proportion of adjunct to full-time faculty.

Because the Division of Budget continued to require SUNY to enroll the same number of students it had before the cuts, and the college was committed first and foremost to maintaining the highest level of faculty support and excellence, critical budgetary decisions were made to reaffirm planning and resource allocation priorities. All required short-term decisions were therefore made in relation to longer-term values articulated in the critical mission and goals statements of both the college and individual departments.

On another front, the goals statements articulated a commitment to diversifying the campus in every way possible, from including a larger number of minority students, to increasing the diversity of the faculty and staff, to enriching the curriculum with more emphasis on global issues and cultures. Despite the cuts the CPC approved a series of proposals to spend much of the venture fund money ($100,000 annually) on diversity-related projects and activities, often with outstanding results. The campus is measurably more diverse in a variety of ways than it was in the mid-1980s. (E.g., minority student enrollment has increased from 2 percent in 1986 to 11.5 percent in 1992, with 18 percent of the 1992 freshman class from various minority groups.)

Revenue Enhancement Strategies

Facing the extraordinarily strong controls over revenues imposed by executive agencies of the state of New York, neither the SUNY system nor its individual campuses have much latitude to create local revenues. There are a few marginal resources, however, Geneseo has only recently begun to utilize, after urging by the CPC. The first is IFR (income fund reimbursable) account revenues; the second, student fees (although some of those are largely determined and regulated by SUNY central administration and the trustees); the third, private funds.

1. *Income Fund Reimbursable Accounts* (IFRs). In 1989-90, the SUNY Geneseo administration decided to increase legitimate revenue-generating activities for fund raising outside the regular budget. Enhanced activities included continuing education, night and off-campus groups, and several other endeavors categorized by the state as on-campus projects in which costs must be recovered but from which profits could also be generated to support other, closely related, activity normally supported by state allocations. Within two years, Geneseo was generating over 1.5 million new dollars in these accounts, some of which were used to offset costs previously funded in regular state-supported accounts. A number of staff positions were saved as a result, and many supply and equipment items were preserved by shifting their source of support to IFR accounts.

2. *Student Fees.* The SUNY Board of Trustees has retained the authority to approve certain major fees and has chosen to administer that authority by establishing upper limits on what individual institutions may charge for a variety of critical or ancillary services. Athletics and health services are two major areas of student activity whose costs are presumed to be borne by the student user in the form of fees separate from tuition and collected and expended locally.

Knowing that Geneseo had maximized its mandatory fee income and had simultaneously reached the fee cap established by the board, the CPC nevertheless recommended that the college ask the board for authority to increase the fees for both athletic and health service programs. (*Note*: both activities are extensive at Geneseo primarily because of the college's rural, residential campus of traditional-age students; alternative medical services are unavailable, and athletics constitute a significant amount of students' extracurricular activity.) When the chancellor decided that the board of trustees would not be amenable to fee increases during a year of a dramatic increase in tuition, Geneseo's administration decided instead to institute a "voluntary health fee" of $85 per student per year for the privilege of receiving certain prescriptions and tests for no charge when ordered by the health center. Because students and their families value the services provided by the health center (and recognize the dearth of alternatives in the area), 95 percent of all students elect to pay this "voluntary" fee. Geneseo has generated an additional $256,000 annually to shift costs from state support to IFR support, thereby freeing up additional state dollars for other, largely academic, purposes. In addition, the student affairs staff created a fitness center, charging students and staff for memberships, thus shifting some physical education costs (and avoiding layoffs) as well as providing additional IFR income for other purposes.

Given some additional latitude by SUNY central to generate small fees for service, and because Geneseo has taken advantage of IFR income as well, approximately $1.5 million in additional net revenues have been created since 1989.

Control/Reallocation Strategies

Although the administration continues to make ultimate decisions about local revenue creation and reallocations on campus, it does so only after extensive discussions with the CPC and the executive team. The major reallocations have been, over this five-year period, from administration to academic programs, with additional increases to private fund-raising efforts. At this time, 64 percent of the institution's total state-supported operating funds are allocated to the provost and academic affairs; in fact, a net increase of $1.1 million in state operating funds has been distributed directly to academic programs and academic support.

In addition, because the state-created early retirement program generated the retirement of eighteen relatively highly paid faculty and staff, Geneseo is able, for the first time in several decades, to *add* (as well as replace retirement vacancies) as many as 7-11 new faculty positions and 3-4 critical staff positions in minority student counseling, health education, and foundation and corporate fund raising. (These positions could not have been added until the Division of Budget and the governor agreed with SUNY that "position controls" should be dropped in an attempt to grant the state university system more management flexibility. Local campuses are now free, with central administration approval, to determine the number of positions needed within the funds allocated.)

Moreover, through the CPC venture fund process and through administrative reallocation, close to $250,000 in new money has funded a series of research incentives, faculty fellowships, and creative projects in the academic areas of the college despite the overall loss of 12 percent of state-supported base budgets.

Role of the President, Faculty and Staff, and External Agencies

It should be clear from previous discussion that external agencies in New York have an enormous influence on all aspects of campus decision making and management than is true, perhaps, in any other state. However, there has been a recent willingness—probably as a result of both fiscal crisis and a new-found understanding of the values of decentralized management and downsizing government, its intervention, and control—to change relationships and to grant far greater responsibility to

SUNY and its trustees to manage the university. An analogous devolving of responsibility and control is likewise passing from SUNY central to local campus administrations, but the extent and results of that internal process are not yet clear. Geneseo is particularly anxious to acquire the fullest possible autonomy because its admissions selectivity and emphasis on academic quality are not well-served by the homogenization often engendered by system governance.

To resolve the resource crises, the current president has established an official planning and resource allocation process directed by a faculty-dominated planning council; created an executive team that meets daily in order to solve problems and determine action plans as a tightly coordinated group; determined that reallocation will augment the mission and goals statement and, hence, the academic program and environment; decided to avoid retrenchment or laying off faculty and staff members, even if that decision occasionally slows progress in achieving planning goals; focused significant reallocated resources on private fund raising and college advancement.

The faculty now plays a far more central role in determining institutional direction and decision making on resource allocation. Strengthened by the president and provost's commitment to faculty governance, the college senate's recommendations on curriculum and other matters of academic policy are virtually all approved. Moreover, faculty members now hold fourteen positions in the CPC and twelve on the newly formed research council, a body dedicated to allocating the newly created funds to support research and scholarship. Under the provost's leadership, the chairs have become key academic leaders on campus (Geneseo has no traditional academic deans), implementing major new programs and ideas they have had a major role in recommending. Overall, there is a greatly strengthened role for faculty in all aspects of college life and decision making.

Obstacles to Implementation of Creative Strategies

The major, often ubiquitous, obstacle to creative activity, regardless of institutional fiscal condition, is external control. The sheer number and potency of external agents that determine or strongly influence SUNY policy and, in turn, local campus policy and activity, are, as previously demonstrated, extraordinary. The governor, both houses of the legislature, and the four state executive agencies having the most powerful (albeit, not the only) control over SUNY's destiny—the Division of Budget, the State Comptroller, the State Education Department, and the Office of Employee Relations—are only some of the most obvious forces controlling SUNY. In addition, the board of trustees, the powerful central administration staff, an unusually vocal student leadership that until recently did not reflect the majority of students' views, local councils and campus governance structures, and unions (both statewide and local chapters) all affect individual campuses, the decisions they make, and directions they are able to take, although many of the latter groups' participation is sought.

On Geneseo's campus, the major obstacles to implementing creative strategies emanate from a history of non-participatory decision making about resource allocation that has resulted in a legacy of reticent faculty leadership in this arena. Although that pattern is changing significantly with new expectations and opportunities for faculty and student participation, many of the most creative solutions to resource problems have come from administrative leadership. Moreover, because campus funding is lean and because compensation decisions are still made externally, there have been few opportunities or financial resources available to address major needs—particularly low faculty salaries, a problem dramatically exacerbated by the salary freeze of the last two years.

Incentives to Stimulate Receptivity

Though ironic and perhaps unintentional, the SUNY system fiscal crisis has created some encouraging signs of change that could increase system and campus flexibility, if not actual autonomy. SUNY has, for example, proposed a new method for compensating campuses that allows a 5 percent margin for over enrollment. Until now, enrollments above sanctioned budget levels—except those that could be categorized as IFR eligible—were unfunded, with excess tuition revenue flowing directly into the state's general income fund; in effect, campuses were penalized for enrolling more students than indicated in their projections. If SUNY succeeds in gaining legislative authority for this new method, Geneseo, with its strong applicant pool, will benefit.

If legislation is also passed that increases university management flexibility—permanently eliminating external position controls, for example—Geneseo will also benefit. Through the planning process, it has already determined to use the additional salary dollars generated by the retirement incentive program to add eleven new faculty and four staff positions, an action impossible under the former system's mandate for the maximum number of positions (or "lines") any single institution could fund.

The most powerful local campus incentives lie in the annual $100,000 venture fund allocated by the CPC and the annual $70,000-100,000 allocated by the research council for research support and faculty development. In addition, $85,000 in private funds are now allocated annually for faculty travel, summer fellowships, and faculty and student research grants. All of these funds, and participatory processes to allocate them, were created during the last four years to stimulate creative projects by departments and individuals who will develop a variety of proposals and projects that advance institutional mission and goals.

Results

Despite severe fiscal constraints and rapidly diminishing state support—leading to the loss of 12 percent of Geneseo's operating budget and 9 percent of its state-supported staff—the college has, remarkably, made significant progress in meeting its primary goals. It has retained its high selectivity in undergraduate admissions. It has continued to reallocate an increasing number of resources into academic programs and staff positions. It is becoming a more diverse community (although recruiting and retaining a diverse faculty and staff is more difficult than diversifying the student body). It is raising more private money and acquiring more external support for research and scholarship. It is producing more creative strategies to generate additional revenues and reduce costs. The reduction in external control proposed in this year's state budget and related educational law will prove dramatically beneficial through decentralized decision making and, hence, provide greater potential for self-determination and distinctiveness of the campuses.

Plans

Given the strong and clear direction the College at Geneseo has created for itself in the mission and goals document and the resulting decisions made in the past four years to reaffirm it, future direction and planning may be unusually focused.

Because *A Quest for Excellence* will be entering its fifth year, the college planning council will review the mission and goals statements to assess their continuing relevance and to analyze institutional progress in achieving them. Assuming that some general fine tuning will take place (as opposed to major restructuring), the CPC may engage the entire college community in reviewing the planning document and process to ensure a shared vision.

Whatever the results of this review, high-quality undergraduate education will probably remain the primary mission of the college and current activities and priorities will no doubt continue. To achieve (within what is hoped will be stabilized resources) the highest-quality academic program and cultural-intellectual environment, several programs just now underway will require reinforcement and expansion. Opportunities for extending collaborative student research and scholarship will be pursued; efforts to strengthen faculty development and to reduce the student/faculty ratio and the size of classes will be encouraged; creative ways to generate additional revenues and to reduce costs will be rewarded; activities designed to garner external support for the college and to access new sources of private funds will be given high priority; efforts to meet state needs as articulated by "SUNY 2000" will be encouraged within the context of the institution's particular mission and goals; activities that encourage inclusiveness and the nurturing of a civil and just academic community will be especially valued; cosmopolitanism, whether of curriculum or of international exchanges, will be vigorously sought.

Much, if not most, of this future depends on New York State's commitment to maintaining a first-class public university. Should funding continue to erode, Geneseo will seek to reduce its enrollments accordingly, rather than diminish its quality. Given the state's history of controls over higher education, however, such a strategy could be rejected. If so, the State University of New York will be a far less attractive, diverse, and generally high-quality public university than it has been for the last forty-five years.

Despite that grim potential and the cumulative effects of severe fiscal constraint, Geneseo has managed to strengthen its academic and academic support programs through a combination of solid planning that has led to creative reallocation, the generation of significant new revenues—both campus-based and private funds—and the reaffirmation, and shared understanding of, its primary mission and most urgent goals. By refusing to try to be all things to all people, Geneseo has sharpened its focus on the commitment to be the best public undergraduate college in New York.

Towson State University

Hoke L. Smith
President
Towson State University

The financial crisis described herein started in 1989 and spanned three years. During that period there were eight budget cuts, amounting to slightly over a 20 percent reduction of state support. Fortunately, these cuts were anticipated, and were addressed with a wide variety of cost containment and budget reduction techniques including hiring freezes, budget reductions in support areas, furloughs, staff layoffs, increases in class sizes, salary freezes, and tuition increases.

Particular attention was given to anticipating budget reductions where possible, providing structure for decision making, opening up communication, involving the community, considering the emotional impact of various actions, and minimizing permanent damage to create a basis for recovery.

Towson State University is a liberal arts-based, metropolitan university whose primary service area is northern Maryland although it serves the entire state and enrolls students from the Boston-Washington corridor. It is a Carnegie I comprehensive university and a member of the University of Maryland System.

Like many other comprehensive universities, it developed from a state teachers college and became a comprehensive university in the late 1960s and early '70s. Towson State enrolls approximately 15,000 headcount students, with a FTE enrollment of 11,200. Approximately 90 percent of the students are undergraduates, 10,000 of whom attend full time.

The university consists of six colleges with faculties and two without. The ones with faculties are liberal arts, natural sciences and mathematics, fine arts and communication, education, allied health science and physical education, and business and economics. Each college has a governance system. The two colleges without faculty are the graduate school and continuing education.

The largest programs include business administration, education, psychology, and mass communication. In recent years, enrollment in several programs, including business administration, has been capped. The undergraduate education and liberal arts programs are growing rapidly, severely limiting the availability of resources in those areas. Enrollment in elementary education will be capped next year. In addition, graduate education has grown rapidly in the past three years. Its primary areas of emphasis are education and psychology.

There are four other institutions in the Baltimore area within the University of Maryland System. In addition to Towson State University, there is the University of Maryland Baltimore County, a doctoral university with graduate programs concentrated in the life sciences and public policy; the University of Baltimore, an upper-division school with graduate programs in law, business administration, and public policy; the University of Maryland at Baltimore, primarily a professional and graduate school with a medical, dental, and law school as well as other "helping" programs; and Coppin State College, primarily an undergraduate institution serving the inner city. In addition to the public institutions, there are a number of private colleges and universities in the area, including Johns Hopkins University, Loyola College, Goucher College, College of Notre Dame, and Villa Julie College. Because of this, programs are allocated by the Maryland Higher Education Commission among the institutions to prevent unnecessary duplication. Therefore, Towson State University does not have programs in engineering or high technology. However, Towson State does offer a good balance of programs directly related to the service sector and the basic arts and sciences.

The university has a long tradition of shared governance and an extremely strong senate in which the president and the vice president of academic affairs serve as ex officio members without vote. In addition, Towson State has a long tradition of good relations with the American Association of University Professors (AAUP), which represents the faculty in conditions of employment although there is no union contract. The administration consults with AAUP regularly on faculty matters, in consultations characterized by an attitude of joint problem solving rather than confrontation. This cooperation is reinforced by a tradition of the president's accepting, if at all possible, recommendations by the AAUP and university senate. This relationship, in turn, has led to the development and maintenance of the university senate and the AAUP as responsible collaborators in the governance process. Such a close working relationship between faculty and administration has served the university well during this budget crisis. Faculty members' involvement has consistently been creative and supportive even when they are uncomfortable with decisions made.

There is no university senate budget committee although senate leaders are regularly consulted on budgetary matters. In many of these discussions, AAUP leaders have participated.

The student government association selects six students as members of the university senate. Although the working relationship with the student government association president and student leadership varies from year to year, it normally has been relatively close, and students have been involved in discussions related to budget, particularly during the recent budgetary crisis.

General Economic and Fiscal Environment in Maryland

Maryland's economy grew rapidly during the late 1980s, mostly at rates exceeding 8 percent growth per year. Unfortunately, a contributing factor to the budget crisis was the relative slowness of the state to accept lower growth estimates.

Much of Maryland's growth was fueled by federal defense contracts and the construction industry. At present, over-building, primarily of commercial properties, has slowed the construction industry to a crawl. Also, the service industry in the state has been hit hard by reorganizations and layoffs of middle management. The recession in Maryland has been largely white collar. Recovery is expected to be slow in the foreseeable future. The impact on higher education will continue to be substantial. However, after repeated budget cuts and a major program review within the system, the climate has at least changed and seems to be approaching stabilization.

Based on plans made in the optimistic period following the formation of the University of Maryland System, it now appears that higher education will be approximately $270 million short of the needs projected several years ago. By 1998, that gap is expected to grow to $460 million. On average, over the next five fiscal years, the higher education budget of the state will be approximately 30 percent lower than the planning estimates of what would be required to fund the missions of the current number of Maryland institutions of higher education at the level assumed in the legislation forming the University of Maryland System. This projection is based on estimates of 6 percent growth in state general funds. If this growth does not develop, the perceived financial problems will be worse. Higher education's share of general funds, which peaked at 14.5 percent in FY 90, will fall to approximately 10.5 percent as other areas such as corrections and health coverage grow. Apparently, the rapid increase in funding of higher education anticipated at the time of the formation of the University of Maryland System will not be achieved, and expectations will have to be adjusted.

A frustrating aspect of the current crisis is that the legislation forming the University of Maryland System was strongly supported by both the governor and legislature as a major commitment to higher education. They were committed to moving the system to a position of national eminence. Expectations were high both within higher education and throughout the state. Therefore, the deflation of expectations has been difficult.

As a result of a shortfall in anticipated revenue, there has been a series of budget reductions of varying amounts. In the early cuts, higher education was hit hard because it was a significant portion of the state discretionary budget. But in later cuts both the governor and legislature worked hard to protect higher education. This protection came at the cost of significant cuts to support given to political subdivisions and other governmental services.

Institutional Fiscal Environment

Historically, Towson State University has been the least well-funded or among the least well-funded of the state institutions on a dollars-per-FTE basis. This problem has been chronic for at least the last 15 to 17 years. Yet, in the eyes of many, the institution appears well-funded and affluent. This is in part because the funding level is offset through a relatively high tuition and higher mandatory fees in comparison with other institutions in the state. Therefore, the revenue mix is tilted toward high self-support through tuition and fees. The university implemented a significant mid-year tuition increase, which restored financial stability for the last semester of FY 93 and permitted modest reinvestment in support budgets.

When the University of Maryland System was formed, a significant feature of the legislation was the full funding of the formula used by the State Board for Higher Education. (The State Board has been replaced by the Maryland Higher Education Commission.) Under this formula, Towson State University was furthest from the full funding goal. Therefore, Towson State received $11 million in new money. There were many who could not understand why the university needed this money or how it could be used. In part, this confusion stemmed from the university's public image of adequate funding. As a result of the budget cuts, Towson State's finances are slightly worse than before the additional money was granted.

One specific problem of the funding mix is that the University of Maryland System has used, at times, total state support (tax dollars plus tuition and fees)—rather than general funds (tax dollars)—as a basis for determining budget reduction. Because of the high percentage of the university's total budget that comes from tuition and fees, using total state support as a base disadvantaged Towson State more than did the same percentage cut of the general or tax-supported funds.

Just before receiving full funding in FY 89, the university employed a number of contractual employees (hired on an annual basis and not receiving fringe benefits). Approximately 25 percent of the classes were taught by part-time faculty. When additional funding was received, there was a move to convert contractual employees to state employees and part-time faculty to full-time positions with the goal of having only approximately 17 percent of all courses taught by part-time faculty. That progress has now been reversed. During the last two years Towson State has cut faculty and staff through attrition and through eighteen layoffs of approximately 120 employees.

Through increases in tuition and fees, about half of the 20.9 percent cut in general funds was offset. However, the institution may well be reaching the end of its ability to absorb cuts through revenue enhancement.

Although the university is conducting a capital campaign, the dollars raised through voluntary giving will not be sufficient to offset reductions in general funds.

Resource Allocation Strategies

A key strategy for resource allocation and reduction was to establish a climate of administrative willingness to make decisions and of openness to faculty inspection, suggestions, and criticism. The rapidity of the budget reductions demanded rapid decisions, sometimes less than a week. The campus community needed confidence that someone was in charge. At the same time, decisions caused dissatisfaction, suspicion, and rumor. Strenuous efforts were made to create open communications, the assumption being that although reality might be unpleasant, imagination could create a world much worse.

The overall direction of both short-term and long-term strategies for coping with financial stress was determined by the president in conjunction with the president's executive staff—four vice presidents, the university counsel, and the assistant to the president. However, there has also been extensive consultation with the faculty, staff, and student leadership to develop and communicate strategies. Particularly important has been the council of deans, which has for almost a decade developed a faculty staffing plan allocating vacant or new faculty positions among the colleges and departments. Vacant positions revert to the university for reallocation unless they result from nonrenewal of a contract or denial of tenure. Although the council of deans is advisory to the provost, it has played a significant role. Each one of the vice presidents uses his or her staff to develop detailed plans. In addition, the president used an ad hoc group of senior faculty leadership and the president of the student government association as an ad hoc advisory committee during the financial crisis. This group met on call and provided valuable insights into proposed strategies. It functioned more in reaction to initiatives advising about the faculty and student reaction to alternatives rather than as initiator of options. However, several times, suggestions and reactions from the faculty were incorporated into the plan.

When the financial pressure was extreme one semester, the president appointed a three-person committee of senior faculty members who became known on campus as the "Gang of Three." They received release time and were authorized to look at every aspect of the university to make recommendations for potential budget savings. They confirmed or criticized decisions and provided additional alternatives. There involvement supported the atmosphere of open information and assured the faculty that there were no hidden resources or under-the-table deals.

This informal structure was replaced by a much larger ad hoc group called the Strategic Resources Review Committee. This sixty-person committee included faculty, staff, and students. It functioned for almost a year and submitted a series of recommendations. It will be replaced by a more formal planning group to redefine the university and its recovery from this period of financial stress. The group will be appointed jointly by the chair of the university senate and the president of the university.

In addition, the president held ten open meetings for the university community. Attendance at these meetings ranged from fifty to almost 300, depending on the severity of the budget crisis at the time. Although these meetings were designed for communication, they have also resulted in suggestions that were incorporated into the budgetary process. (Some of the staff felt uncomfortable asking questions or making suggestions; therefore question boxes were provided to allow anonymity.) These meetings seemed to be particularly appreciated by the classified staff, providing them an opportunity to express their opinions and request information.

Strategies Employed

Traditional short-term strategies were used. The following list of strategies comes from an article published in 1934. Towson State has been forced to follow most of them. (The list was based on a survey of fifty schools.)

1. Increase the faculty workload by freezing hiring.
2. Rearrange courses to increase the class size, or hold certain courses only once a year or at longer intervals.
3. Postpone annual appointments until after the expiration of the present year.
4. Reduce equipment expenditures to a minimum, and in some cases abolish the purchase of library books, except continuations.
5. Reduce compensation for extension lectures and work in connection with correspondence courses.
6. Eliminate extra pay for summer sessions by requiring the faculty to teach during the summer session without extra compensation and by arranging vacations in alternate years or otherwise.
7. Reduce expenditures for research when chargeable to general funds.
8. Reduce appropriations for publications, except when provided out of special funds.
9. Reduce expenditures for travel.
10. Reduce clerical help and office expense to a minimum.

11. Reduce maintenance and operation of buildings to a minimum, doing minimal repairs.
12. Eliminate activities not directly related to student instruction, such as news bureaus, university presses, etc.
13. Curtail the construction of new buildings and other plan extension items unless specifically provided out of special funds.

Early in the budget reduction process, attrition was used to reduce the staff and faculty. The goal was to try to use no more than 75 percent of the budget for personnel costs including fringe benefits. (The university was slightly above this figure before the downturn started.)

A number of positions were created when Towson State received the $11 million in new funds when the system was formed. This hiring was done on the assumption that the legislature would be more reluctant to approve new positions in subsequent years and that the ratio of personnel costs and operating budgets could be rebalanced in subsequent years. This thinking reflected the general optimism for higher education at the time.

Fortunately, because of the effort to reduce the portion of the budget devoted to personnel, and because it was predicted that the state budget would be in difficulty, the university had a large inventory of vacant positions when the first two budget cuts hit.

An early retirement plan for faculty was also implemented. About a decade ago, the board of trustees passed a policy permitting Towson State to support early retirement for faculty members by placing them on leave during their last year of service. This measure encouraged early retirement and has been useful in providing flexibility within faculty positions. Prior to the economic downturn it was used to reallocate faculty among the colleges through a staffing plan created by the provost and the council of deans.

Longer-Term Strategies

The long-term strategies now under consideration by the Maryland Higher Education Commission and the University of Maryland System administration are traditional. A report from the Maryland Higher Education Commission listed possible options:

- merger, consolidation, or closure of institutions
- collaboration among institutions
- joint ventures
- privatization
- reallocation of resources within institutions
- increased workloads
- early retirement programs
- increased class size and establishment of minimum enrollment levels in selected courses
- changes in tuition and fee-setting policies
- a moratorium on new programs that require additional funding.

Much public attention focuses on the more severe of these actions, such as institutional closings, program eliminations, or consolidation of institutions. All were recently proposed in anticipation of enrollment declines. Therefore, they were already in the minds of many citizens. However, this year enrollments are at or near an all-time high in almost all of the University of Maryland institutions. The state is hard pressed to meet current demands for education. Therefore, solutions that reduce the capacity to educate students do not seem as appropriate as solutions that would result in other cost savings.

The University of Maryland System approach focused much more on the reallocation of resources within the institutions and the system. A major effort was launched in the late fall of 1992 to eliminate a number of programs and to reorganize the administration to take advantage of technological advances. This effort is still in process.

Towson State has attempted to maintain tight control of the number of programs. Therefore, internal plans do not involve substantial program reduction but rather curricular modification to focus resources and continued application of these cost containment measures. The curriculum modification measures are described by Beardsley Ruml in *Memo to a Trustee*, published in 1959. These methods involve consolidation of the curriculum to eliminate sparsely enrolled classes and varying class size to increase the effective credit-hour production for FTE faculty. They do not increase the faculty workload in hours per week.

The logic behind Ruml's suggestion is simple. A faculty member who teaches 100 students a semester in three-credit hour courses produces 300 credit hours per semester. It does not make any difference whether those students, in terms of income, are enrolled in five classes of twenty or one class of 100. Ruml proposes alternating large lectures with smaller discussion classes, seminars, or even with individual instruction. Although Towson State had already been operating at a relatively high student-faculty ratio—approximately one FTE faculty to 16.5 FTE students—that ratio has increased to slightly over eighteen to one.

The other primary strategy affecting academic programs is to increase the number of courses taught by part-time faculty. (As mentioned earlier, the objective during the "boom" in higher education had been to *diminish* the dependence on part-time faculty.)

Administrative support staff have also been reduced. If forced to do so, the university will remove such functions as tutoring and other support. If further cuts are needed, the university will lessen student services support functions, even though this will probably decrease retention.

The basic obstacles to creative resource allocation are familiar ones. People are reluctant to change unless absolutely convinced it is necessary. Despite repeated messages about the severity of budgetary difficulties, many believe it is someone else's problem. The psychology of a period of budgetary trauma is much like that of the grieving process: there is denial, bargaining, anger, depression, and finally acceptance. It has been the presidents' goal to acknowledge the grieving process and to encourage people to work through the earlier stages as rapidly as possible. In doing so, the involvement of the faculty and staff in advisory capacities and through open meetings has been useful in informing members of the university community. The large Strategic Resource Review Committee also provided the same function.

When the Strategic Resource Review Committee is reconstituted into a cohesive planning committee, serious consideration will be given to the strategy of expanding the planning process to include other constituents.

Outlook

As of spring 1993, the state budget has stabilized as has Towson State's. The university is able to reinvest modest amounts to restore appropriate balance among expenses. However, the economic recovery of the state will not be rapid, nor will higher education's. The administration will have to continue to reallocate funds for the next several years and continue to use selective enrollment caps to balance resources and demand. The effect of actions by the Maryland Higher Education Commission and the University of Maryland System are problematic. However, at this point the university is recovering, and the cohesion of the university community is good, considering its ordeal.

University of Central Florida

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The University of Central Florida (UCF), a member institution of the State University System of Florida, was authorized by the Florida legislature in 1963 as Florida Technological University. The name changed to the University of Central Florida in 1978. Classes began in 1968 for 1,492 students on the main campus in Orlando and approximately 500 students in credit courses off campus. The university currently serves over 21,000 students.

UCF is a general-purpose state university serving an eleven-county area in central Florida. It offers instructional programs and conducts research in diverse areas such as aerospace engineering, banking, electro-optics, simulation and training, solar energy, education, the health professions, tourism, and film. Programs of instruction, research, and service are administered through five traditional colleges of arts and sciences, business administration, education, engineering, and health and public affairs. The university is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools as a Level IV, general post-secondary institution. In addition, individual colleges and departments have scientific and professional accreditation through accrediting groups including the American Chemical Society, the National Association of

Schools of Music, the American Assembly of Collegiate Schools of Business, the Florida State Department of Education, the National Council for Accreditation of Teacher Education, the Accreditation Board for Engineering, the Commission on Respiratory Therapy Education, the Council on Allied Health Education, the National League for Nursing, the Council of Social Work Education, and the American Speech, Language and Hearing Association.

The University of Central Florida is located in East Central Florida, east of Orlando's major tourism attractions and west of the NASA space research and launch operations at Cape Canaveral, Florida. The main campus includes 1,227 acres and currently consists of forty-nine permanent buildings valued at more than $100 million. More than $70 million in additional construction, including a 700-bed apartment facility and an $11-million student union, will occur over the next 3-5-year period. While most institutions have experienced static or declining enrollments, UCF has grown continuously during its twenty-five years of existence. However, having grown from an initial enrollment of 1,492 students to more than 21,000 students, UCF has also experienced a chronic shortage of space and funding.

The university administers two off-campus instructional centers in Cocoa, Florida, and Daytona Beach, Florida, which serve 1,500 students in selected high-demand programs. These centers are located on the community college campuses in Brevard and Volusia counties, where high-quality, joint-use facilities have been constructed specifically for university use. The university has enjoyed a long and close relationship with the community colleges in its service area and throughout the state. Florida community colleges provide 60 percent of UCF's enrollment. Their students attend UCF under a statewide articulation agreement assuring them admission to the university upon completion of an associate degree. The agreement also provides certain guarantees of the transferability of courses.

UCF is a regional institution with a mission to serve and respond to the unique needs of central Florida, which has experienced rapid economic and population growth, with concomitant growth in such areas as international business and travel, entertainment, hospitality, film, advanced technology, space technology, and military training systems. Each of these factors has had a direct impact on program development and enhancement at UCF. The University of Central Florida increasingly serves state, national, and international constituencies.

State of Florida Fiscal Environment

Like most states, Florida during the past three years has experienced significant revenue shortfalls and has been forced to reduce funding to state agencies. Because there is no state income tax, Florida depends primarily on sales taxes and corporate income taxes for operating revenues. The reductions in state funding have been serious but not as deep as those faced by many other states. Overall reductions during this period have been of the order of 10.5 percent while enrollments have risen by approximately 8 percent. Currently, state revenues and funding for state agencies could be described as stable while pressures for growth and higher enrollments continue. Despite the population and economic growth of the region, funding higher education will be difficult without increasing, or developing new taxes, and prospects for tax increases or a change in the state tax structure are not promising in 1993.

The legislature has not authorized salary increases for state employees, including the university system faculty, for the past two years. State university system administrators and the board of regents have made employee salary increases their highest priority for 1993-94. However, the governor's recommendation to the legislature, while generally favorable to higher education, includes only a 3 percent salary increase for state employees, and the increase would not take effect until January 1994. In an effort to offset decreasing general revenue for higher education, the state has increased student fees by more than 30 percent for in-state students and over 40 percent for out-of-state. These fee increases, together with negative publicity about declining resources and services, appear to have hindered enrollments: several institutions in Florida have not achieved the enrollment plan established by the board of regents and legislature for 1992-93.

The University's Fiscal Environment

The University of Central Florida in 1992-93 served over 21,000 headcount students (14,000 FTE students) and received an annual state appropriation, including student fees, of $97 million. The university does not formally retain collected student matriculation fees. They are deposited to a state trust fund and distributed back to the universities as part of the legislative appropriation to the state university system. In addition to state funding, UCF will receive $30 million in contracts and grants from federal, state, and industry sources. Auxiliary operations, including the bookstore and food services, are self-supporting and have accounted for $25 million in revenues in 1992-93. Local fund revenues total $20 million annually. Over the next three years the university will spend at least $25 million annually for fixed capital improvements and new construction.

From July 1, 1990, through June 30, 1992, UCF was asked to reduce expenditures by approximately $10.5 million because of shortfalls in state revenues. These reductions occurred in October 1990, December 1990, March 1991 and June 1991. In addition, the university faced reductions in budgeted funding levels in the 1991-92 and 1992-93 fiscal years because student fee revenue fell below projections. While student enrollments increased by 5 percent during this period, initial budgets each year were based on projected enrollments and fee revenues that were not achieved. When this occurs, the university must adjust budgets downward accordingly.

Management During Budget Reduction Periods

University resource budgeting and allocation during times of funding reductions are difficult at best, and few clear-cut guidelines are available to aid the president, top-level administrators, and budget managers. Faculty and staff members and administrators who have experienced years of budget increases, growing programs, salary increases, and general flexibility in the use of available resources are usually not prepared for budget reductions. All have had experience building programs, but few have had experience reducing programs, eliminating programs, or reducing expenditures. Nevertheless, steps can be taken to reduce the difficulties encountered during such periods, discussion of which follows.

Maintaining institutional excellence despite reduced financial resources requires careful planning in the budget process. Reductions, both short and long term, must be strategic, relating directly to the mission and priorities of the institution. Under the leadership of a new president who arrived on campus in March 1992, UCF was able to articulate five "Goals for UCF for the Year 2000" to help guide strategies for short- and long-term budget reductions:

- Offer the best undergraduate education available in Florida.
- Achieve international prominence in key programs of graduate study and research.

- Provide international focus for the curricula and research programs.
- Become more inclusive and diverse.
- Become America's leading partnership university.

The fifth goal has important ramifications not only in times of fiscal stability but in times of fiscal instability as well. Because single institutions cannot command the resources necessary to solve major problems, they must find common cause and combine resources with individuals, businesses, and industries to solve pressing problems.

A University of Central Florida Accountability Plan was developed to assess the progress of the university and its various components (colleges, departments, and administrative units) in meeting the five "Goals for UCF for the Year 2000." For each goal, one or more strategies, and for each strategy, a set of activities and a corresponding measure of success are delineated. (*Strategies* are the plans for attaining goals, *activities* are used by colleges and administrative divisions to implement strategies, and *measures* are developed to help determine how well strategies have succeeded in attaining the goals.) An annual assessment of progress toward the goals will be made. Action plans, related budgets and/or policies will be adjusted accordingly. In addition, the Florida legislature has mandated nine accountability measures. The office of academic affairs at UCF is responsible for developing instruments that accurately compute these common measures, as well as the five UCF goals. (See end of chapter.)

Short- and Long-Term Strategies

Effective management of resources in lean years requires that administrators anticipate potential revenue problems well in advance. Because most institutions budget on an annual basis, decisions to limit expenditures and replace faculty and staff positions must be made six months to a year before the funding reductions occur. Budget reductions can usually be anticipated: the president and internal budget managers have access to abundant state revenue data and projections, as well as internal research on anticipated student enrollments, to guide budget expenditure decisions.

Typical budgeting procedures in colleges and universities include the establishment of reserves early in each fiscal year for unanticipated problems. Under normal conditions, a reserve of 1-2 percent of the total education and general budget is adequate. In times of budgetary stress, a reserve approaching 4 percent may be necessary. Experienced presidents and budget officers will quickly recognize potential problems, using measures of the state and national economy, changing enrollment patterns, endowment interest rates, and political factors such as legislative resistance to tax increases, to sense the degree of budgetary difficulty.

Although there is no single strategy for successfully managing costs, traditional methods including consideration of both internal priorities and external environmental factors, and a solid data base of trends and projected revenues and costs are used to guide both short- and long-term solutions. Actual budget reductions, resulting either from revenue shortfalls or significant funds held in reserve, follow predictable patterns. In priority order:

- For small budget and expenditure reductions (5 percent), pro rata reductions among major campus divisions are employed. Adjustments among smaller units then become a matter of priority setting and the elimination of low-priority activities having small impact on programs or services.

- For greater budget reductions (5-10 percent), instruction and research programs are protected, and administrators look to deferred maintenance of the plant, reduced academic and nonacademic administrative services, greater efficiency in administrative services, and reductions in professional travel and equipment purchases.

- For significant budget reductions (over 10 percent), reduction and/or elimination of programs will be required in addition to the preceding measures.

Although UCF used most of these strategies to manage budget reduction, its primary method was to freeze hiring. Because education is labor intensive, its major operating expense lies in salaries. Therefore, any major reduction in budget necessitates reductions in personnel. The institution must strive for higher productivity and increase workloads in order to serve the same or increased numbers of students.

UCF has maintained expenditures on new technology, emphasizing its use to increase efficiency and reduce overall costs of operation, particularly in administration. By introducing image processing in the admissions office, the personnel office, and selected administrative offices, UCF expects to enhance services, eliminate paper and filing, and increase efficiency so that the same or fewer personnel can serve increased numbers of students and provide support services. Implementation of this technology in the financial aid and finance and accounting offices should further enhance services and lower operating costs per person served and per transaction.

Cost-control measures invariably cause secondary effects that must be recognized and addressed. Personnel reductions increase workloads and can increase employee stress. Remaining staff members often need training to handle changing job requirements and new technologies. Training programs should, therefore, remain immune to budget reductions and may actually require increased funding. Good training programs can greatly help employees cope with change, maintain morale, and increase work output.

Expenditure Reduction and Resource Reallocation

Each reduction or reallocation decision by UCF administrators during the 1990-1992 budget reduction period required consideration of unique circumstances. For example, in October 1991, a large fraction of the required reduction came from library resources. One would not expect that to occur in a university setting, where the library is crucial to research and to providing a quality education for students. However, UCF had successfully lobbied the board of regents and legislature for a special lump sum to enhance library resources. Because of the dire circumstances associated with revenue shortfall, it was decided to forgo that sum with the hope it would be reinstated the following year. Unfortunately, it has not been restored, and new state revenues remain severely limited. The reduction eliminated a much-needed library enhancement but also prevented significant hindrance of ongoing operations, including the library, which received about the same allocation in 1990-91 as in 1989-90. Except for this unusual circumstance in the library budget, physical plant maintenance took the largest budget reduction in 1990-91.

The reduction in physical plant funding will have both short- and long-term effects on the management and maintenance of campus facilities. In the short term, the campus will experience reduced air conditioning and higher room temperatures during the summer months, and reduced heating and lower room temperatures during the winter months. UCF reduced internal mail deliveries from twice to once each day. Trash pick-up occurred less often, and facilities cleaning and daily maintenance were reduced. Weekend heating and cooling were limited where reductions would not adversely affect weekend instructional programs and ongoing research activities. The long-term consequences of reduced maintenance of interior and exterior building surfaces, delayed replacement of carpets, lightbulbs, and aging equipment, are invariably problematic. Problems include ongoing equipment failures and higher costs to recover in order to return facilities to a proper level of maintenance. In the worst-case scenario, the university would never recover from a long period of reduced maintenance, and students and faculty and staff members would have to work in lower-quality surroundings. The decline in employee morale and efficiency, while difficult to measure, would be significant.

In 1991-92, a reserve of $4 million was held in anticipation of a significant state revenue shortfall. Reserves were withheld uniformly across the major divisions of the university. However, the impact of establishing reserves uniformly across all budgetary units was offset in the instruction and library areas by legislative intervention in the allocation of resources to the state university system. By mandating reductions across all state agencies in excess of the amounts actually needed to balance the state budget, the legislature effectively made resources available that could be reallocated according to specific priorities identified by the legislators. One such priority was access to undergraduate instruction. As a result, each university received reallocated resources earmarked for undergraduate instruction. At UCF, these resources were used to enhance both the instructional areas and the library.

UCF is unusual in that enrollment and overall budget have continued to increase even though budgets per student are decreasing. The faculty, staff, and administration must cope with increasing demands for classes, building space, high technology, and people-intensive programs while maintaining service to students. The university has experienced rapid growth in student head count without the concomitant growth in resources to enable students to graduate "on time." One short-term strategy has been to maximize the management of enrollment and retention without overcommitting resources. UCF internally reallocated resources to increase the number of course sections and class sizes, thereby increasing productivity and better serving the immediate needs of students. In addition, a reduction in funding for support services has accompanied increases in student numbers.

Resource Management During Stable or Increasing Budget Periods

The modern metropolitan university of UCF serves the needs of one of the fastest-growing cities in one of the fastest-growing regions of Florida. To be a vital cultural and intellectual resource and an indispensable force for economic development for all of central Florida, UCF is committed to: offering access to high-quality, affordable education grounded in the liberal arts; providing the highly educated work force that can assist a modern economy to flourish; producing and transferring the scientific and technical knowledge necessary for the creation and sustenance of well-paying jobs; and developing a base of knowledge and expertise to assist in forming wise public policy.

UCF has had to alter internal allocation processes to support rapid growth. The budgeting process during earlier periods of increasing budgets shifted from an enrollment-driven, formula-based allocation procedure in the early and mid-1980s to a programmatic allocation procedure in the late 1980s. The university is now considering returning to a formula-driven procedure.

Formula-based budgeting has many advantages, the major one being that formulas make it possible to tie institutional priorities clearly to resource allocations and resource management. An allocation formula permits administrators and faculty members to set priorities and establish measures of productivity in advance. These priorities and measures can then be weighed against the harsh reality of available funding when the formula is used to generate resource needs. Formula allocation models permit straightforward determinations of the financial and personnel impacts of increasing as well as declining enrollments and can therefore provide clues about how resources must be internally reallocated. In addition, enrollment-driven resource allocation procedures act as enrollment incentives for colleges and departments. In Florida, enrollments are established before academic year resource allocations are made. There are significant penalties for failure to achieve planned enrollment levels, including loss of funds, and few incentives to exceed the planned enrollments.

Other endeavors in which good resource management can enhance services to students in periods of either growth or decline include continuing education and distance learning. UCF has long had an interest in distance learning, beginning in the mid-1970s, when videotapes of engineering classes were delivered to off-campus locations in the UCF eleven-county service area. This program eventually developed into a statewide program called the Florida Engineering Educational Development System (FEEDS), which was funded by the legislature and involved all four engineering schools in the state. The program is now continuing with both live and taped courses and provides access to higher education for many working students who cannot travel to the campus to complete their degree programs. The FEEDS program also provides professionals in the field with a convenient and efficient way to continue their education in their profession. The UCF college of education has long used telephone hookups with a "bridge" device allowing students at any remote location to participate in a class on campus. The college of education has also developed links to most public schools through the statewide Florida Information Resource Network (FIRN) in order to provide teachers with access to a computer software library maintained by the college. In recent years, Instructional Television Fixed Service (ITFS) links have been completed to the Brevard and Daytona branch campuses, as well as the downtown South Campus, to provide live instruction to outlying areas served by UCF. These and future approaches to distance learning will permit the university to serve more students within the budgets currently available.

Continuing education also offers options and opportunities to increase offerings and, in some cases, supplement resources needed by the university. Credit and noncredit continuing education programs are usually sources of revenue that, with good management and planning, can be used to support less lucrative ventures considered by the president, administrators, and faculty members to be important to the academic and educational enterprise. Continuing education offers access to the many resources of the institution and, in turn, allows UCF to showcase itself. It serves as a conduit to new partnerships with business, industry, and service sectors. UCF is particularly well situated in central Florida, with its abundant area attractions and ideal winter climate, to maximize attendance and revenues in credit and noncredit offerings.

Role of the President and Faculty

It is vital that the president provide constant, clear explanations of the budget situation to both internal and external constituencies. At UCF the president is the primary advocate for the university at the state university system and legislative level. He is necessarily an excellent spokesperson for UCF and effectively garners the resources necessary to achieve UCF's articulated goals. Working in a large, competitive state university system demands that the president possess the skills of negotiation and collaboration, as well as the ability to provide a strong voice for UCF.

In times of budget crises, faculty morale often declines. The legislature has failed to provide faculty with annual salary increases for the past two years, the university has increased workloads by increasing class sizes, and there has been growing use of part-time faculty to respond to the growing demand for courses. Despite these concerns, faculty members generally support the administration's attempt to control expenditures and increase revenues in these difficult times. They realize that public institutions of higher education face the pressure of more socially mandated programs and the increasingly fierce competition for relatively few new resources provided by the state. At the same time, the university has less and less ability to contain costs. The president has been vigilant in his efforts to provide information on the budget to give the university community the greatest possible understanding of the situation. This increased awareness has helped mitigate the negative impact on faculty morale. In addition, recognition of faculty contributions an efforts to restore annual salary increases are primary goals for the coming year.

Obstacles to Implementation of Strategies

To implement resource allocation strategies successfully, the university must be flexible in the budget process, relate the process to a strategic plan, and manage information systems that will provide the vital data needed for good decision making. The president and his or her staff must also be able to predict accurately the fiscal future. They must establish clear accountability measures to guide their decisions. UCF is well on its way to achieving this agenda.

Short-term strategies, such as dramatic increases in course sections, bring with them secondary consequences, such as the need to increase personnel—faculty and support staff members and adjunct instructors. This higher volume calls for better integrated enrollment management strategies. Additionally, general resistance to change, union contract stipulations, and frequent turn-over among executives may impede progress. A planned agenda for change will be a bulwark against impediments.

Stimulating Receptivity to New Strategies

The return to formula-based budgeting will provide the mechanism needed to tie institutional priorities more closely to resource allocation and management. Using a formula allows measurement of productivity in instruction, research, and service. Already, the move to an enrollment-based allocation procedure has been an incentive for at least three of UCF's colleges to examine ways to increase student credit hour and FTE student counts. In addition, a clear understanding of how programs do or do not fit into the mission of the institution, and whether they are financially viable, is critical in determining resource allocations.

One of the major thrusts for UCF this year is implementation of total quality management (TQM), a strategic retrenchment tool that can help eliminate waste and duplication in any system. According to TQM theory, it is the system, not the individual worker, that is often dysfunctional, resulting in expensive, yet poor service and production. TQM also emphasizes service to the customer as the determinant of company success or failure. Because the upper-level administration at UCF is knowledgeable about TQM and committed to its use, no major obstacles to its implementation are imminent.

Plans

The University of Central Florida has a bright future. Located in a dynamic area of central Florida and having strong support from the community it should continue growing well into the twenty-first century, with enrollments expected to exceed 40,000 students sometime in the next 15-20 years. The university will continue a major push toward utilizing technology to increase efficiency and reduce costs in both academic and non-academic administration. In addition, it will increase emphasis on, and development of, instructional technology to provide greater opportunities to serve students through distance learning. These efforts not only serve the educational needs of the community and state but also show adaptation to new and improved methodologies, which addresses some of the nation's current criticisms of education.

UCF will also continue to forge partnerships and increase basic and applied research. External contract and grant funding has now grown to approximately $30 million per year and is expected to double in the next decade. Much of this research is in such areas as applied optics and lasers, simulation and training, and solar energy, which meet local and state needs for applied research and add to the economic base of central Florida. The university has participated in developing the Central Florida Research Park, located on over 1,000 acres of land immediately adjacent to the university and considered the premier university research park in Florida. Activity in the park complements the university's research effort, provides part-time employment for many students, and serves as a resource for outstanding faculty adjunct support in areas at the cutting edge of new technology.

Finally, UCF will continue to emphasize fund raising and increasing the current endowment for professorships, endowed chairs, and student scholarships. A major capital campaign, recently launched, should triple the level of funding currently held in the UCF Foundation and provide some $50 million in additional funds to establish long-term support for the university.

The university looks to the future with enthusiasm and the expectation of becoming a higher education leader in Florida and the nation.

Addendum

UCF Goals and Related Accountability Measures

Goal 1	**Offer the best undergraduate education available in Florida.**
Strategy 1	The university will differentiate itself by developing high-quality, innovative undergraduate curricula.
Activity 1	Review the undergraduate curriculum.
Activity 2	Develop and implement curriculum changes that enhance traditional undergraduate degrees by ensuring that the curriculum is relevant and innovative.
Activity 3	Establish objectives for growth of the university honors program.
Measure 1	By the end of spring semester 1993, each college will assess the relevance of its curriculum. Measures may include content of capstone courses, adherence to guidelines established by professional societies, student performance in capstone courses and/or comprehensive examinations, and performance criteria required by accrediting agencies. During the 1993-94 academic year, schedules for assessing improvements will be determined.
Strategy 2	The university will differentiate itself by engaging in better undergraduate teaching than that at any other college or university in Florida.
Activity 1	Establish university-wide standards that reflect superior teaching.
Activity 2	Revise the reward system to increase the influence of superior teaching on rewards provided.
Activity 3	A Task Force For Enhancement of Instruction will be established as a subcommittee of the Strategic Planning Council.
Activity 4	Establish a university instructional support center, which will offer instructional development grants and

workshops and provide instructional technology support.

Measure K	"Student Perception of Faculty" surveys, together with departmental and alumni assessments, will be used to recognize and reward superior teaching.
Strategy 3	The university will differentiate itself by providing better student services than other Florida schools.
Activity 1	Initiate a TQM program in student academic support units.
Activity 2	Assist colleges in improving undergraduate advisement.
Activity 3	Assess and improve registration procedures.
Activity 4	Monitor and improve undergraduate placement.
Activity 5	Develop and improve relationships with groups that can enhance minority recruiting.
Measure L	Specific measures of the quality of student services will be established by fall 1993. These measures, including student responses to surveys, will be used to create baselines. From the baseline data, target thresholds will be established for the subsequent years for improving advising, registration, and placement.
Strategy 4	The university will provide students and faculty members with up-to-date information resources.
Activity 1	Assess the quality, quantity, and accessibility of library resources.
Activity 2	Develop plans to obtain library resources consistent with planned enrollment growth.
Activity 3	Assess the quality, quantity, and accessibility of computing resources.
Activity 4	Develop acquisition plans to obtain computing resources consistent with developing technology and with planned enrollment growth.

Measure M	Each January, the university's library and academic computing units will provide reports to the provost assessing the quality, quantity, and accessibility of the services/resources provided. These reports will then be distributed to the colleges. Each college will then produce a report that assesses how well the university's information resources are meeting the college's need to develop and maintain strong teaching and research programs. These various reports will be compiled by academic affairs, which will produce a set of recommendations to be provided to the library and academic computing units no later than March 1. The affected units will then turn these recommendations into action plans to be provided to the provost no later than May 1. The quality of these plans and the effectiveness of the unit's response to the previous year's recommendations will be major factors in the unit's annual evaluation.
Goal 2	**Achieve international prominence in key programs of graduate study and research.**
Strategy 1	The university will achieve prominence by emphasizing areas of high-quality graduate study.
Activity 1	Assess demand for existing graduate programs.
Activity 2	Establish enrollment objectives for individual graduate programs.
Activity 3	Review graduate admissions standards and policies.
Activity 4	Establish teaching standards to reflect superior graduate teaching.
Activity 5	Establish recruitment policies and promotional materials for recruiting superior graduate students.
Activity 6	Increase graduate assistant stipends to levels that are nationally competitive within each discipline.
Activity 7	Increase allotment of tuition fee waivers to the 100-percent level for all full-time graduate assistants.

Measure N	By December of each year, each college will evaluate its performance in graduate recruiting, teaching, and admissions against baseline measures established from the previous year. These evaluations will utilize a set of quality entry and exit indicators, such as admission GRE scores and GPA, graduate placement, and employer perceptions of graduates. The number of applicants, their GPAs and test scores, the performance of faculty in areas that reflect superior teaching and advising, and the quality of placement for graduates will be primary indicators. Policies concerning program emphases and recruitment strategies will be revised based on these measures. Key graduate programs will be identified for enhancement funding.
Strategy 2	The university will further develop its capabilities to conduct quality research that brings national and international recognition.
Activity 1	Expand the DSR In-house Summer Research Grant Program.
Activity 2	Establish standards that reflect superior research activities.
Activity 3	Assess and enhance the reward structure to ensure that it formally recognizes superior research activities.
Activity 4	Monitor and improve resources to support faculty research activities.
Activity 5	Enhance support provided to research projects that show potential for funding from external sources.
Measure O	Each May, the division of sponsored research and the various college research offices will conduct an annual review of three quantitative measures of productivity in research and scholarly activity: total number of publications and creative activities, by categories, reported by the faculty for the academic year; direct costs earned during the fiscal year per number of faculty eligible to serve as principal investigators; and number of faculty and staff funded as a percentage of total number of

employees eligible to serve as principal investigators. Baselines for research productivity, from which improvements will be measured, will be determined from a three-year average of research productivity, using the current year and the previous two years. Qualitative indicators will be developed appropriate to each discipline. Budget allocations will reflect support for the most promising research endeavors and graduate programs.

Goal 3 **Provide international focus to our curricula and research programs.**

Strategy 1 The university will achieve prominence by integrating an international focus in our curricula and research programs.

Activity 1 Coordinate international curricula and research programs to stimulate their development.

Activity 2 Clarify the role of the director of international programs and the persons responsible for international programs at the college level.

Activity 3 A task force on international education will be established as a subcommittee of the strategic planning council to assess the extent of international programs and the level of activity in those programs and to recommend levels of support for such programs.

Activity 4 Infuse an international focus into the curriculum and into research programs.

Activity 5 Enhance the administrative support for international students and faculty.

Measure P In the spring of each year, the office of international programs will assess, relative to the previous year: (1) the number of study abroad, faculty and student exchanges, visiting scholars, and the number of international students at UCF; (2) the number and type of English as a Second Language services; (3) the courses, minors, and other educational activities with interna-

	tional content; (4) faculty research and grants related to international topics; (5) the number of international agreements and the stature of the universities with which our international affiliations are maintained.
Strategy 2	The university will increase the number and diversity of international students and cross-cultural activities.
Activity 1	Enhance support for cross-cultural events.
Activity 2	Provide budget support for international teaching and exchange programs for faculty and students.
Measure Q	In the spring of each year, the office of international programs will produce an annual listing of international activities and cross-cultural events both on campus and in the community.
Goal 4	**Become more inclusive and diverse.**
Strategy 1	The university will promote a campus culture in which cultural, racial, age, and gender diversity is valued.
Activity 1	A task force on diversity will be established as a subcommittee of the strategic planning council to access the university's status and recommend policies to enhance diversity.
Activity 2	Increase the number of, and support for, cross-cultural and multicultural activities on campus.
Strategy 2	The university will provide academic opportunities for a diverse student population.
Activity 1	Assess the level of minority student, faculty, administration, and staff involvement on campus
Activity 2	Develop programs to enhance recruitment and retention of minority students, faculty, administration, and staff.
Activity 3	Develop programs to provide academic enrichment opportunities for disadvantaged students.

Measure R	In June of each year, academic affairs and the office of equal opportunity will produce a report on the current academic year's recruitment, retention and graduation results. Each October, using baselines established from the previous academic year, academic affairs will develop thresholds for the coming year's recruitment of minority students, administrators, faculty, and staff. Similar target values will be established for gender diversity among faculty, administration, and staff. Using these thresholds, recruiting plans will be developed by each college and administrative unit and filed with the university office of equal opportunity and affirmative action by December of each year.
Goal 5	**Be America's leading partnership university.**
Strategy 1	The university will differentiate itself by developing more productive partnerships with industry, education, and governmental agencies.
Activity 1	Create a receptive atmosphere across the university community toward partnerships or joint ventures with external organizations.
Activity 2	Vigorously cultivate public-private linkages in order to augment partnerships.
Strategy 2	The university will seek to increase annual research, contract, and training external funding to $75 million from a broad spectrum of sources.
Activity 1	Actively pursue support for collaborative efforts in instruction and research from industry, government, and private sources.
Activity 2	Use reassigned time to enhance faculty participation in activities that increase the number of partnerships and lead to external funding.
Activity 3	Develop and enhance funding formulas that reward academic units and faculty for activities that develop partnerships.

Measure S In June of each year, all divisions of the university and the UCF Foundation, Inc. will provide a report on the extent of collaborative efforts and relationships with industries, public schools and other non-UCF agencies. Specific statistics will be gathered on industrial or private sector contributions that enhance the programs at UCF and its relation to the community. Successive years will be compared with the average of the three previous years' activities in order to determine progress and, where necessary, to establish action plans.

Implementation of Accountability Plan

The accountability measures outlined here will be further defined as the Strategic Planning Council reviews the strategic plans submitted by the colleges and divisions. The office of academic affairs will coordinate the annual review of the strategy and measures and will submit this review to the Strategic Planning Council for consideration as the council periodically refines and updates the university strategic plan and the associated action plans.

University of Maine System

Kent A. Price
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The University of Maine System is a diversified, comprehensive system of seven member institutions. Regarded nationally as among the best of its kind, the system also has been among the most severely affected by the drought in state appropriations. While the nation as a whole dropped its support of public higher education by 1 percent during fiscal 1992 and 1993, the toll on the University of Maine System was 7 percent. In only four states was the cut sharper.

The nature of the system helped shape its response to economic downturn.

Like its counterparts elsewhere in the United States, the University of Maine System is established to teach, conduct research, and provide public service. The scope, balance, and depth of those three categories of responsibility differ from campus to campus, but each has a primary role of educating, supporting scholarship, and fostering intellectual growth. Each has both regional and statewide responsibilities.

The University of Maine (UM) has the most substantial statewide programs, given its land-grant and sea-grant responsibilities, the scope of its graduate programs, and the number of courses available only at Orono or through its outreach programs. The University of Maine serves as a special resource for eastern and northern Maine, with programs closely allied with the natural-resource economy of that broad region and, like the regional campuses, it offers undergraduate, associate degree, and continuing education programs to residents of its immediate region.

Located in the most densely populated part of the state, the University of Southern Maine is Maine's metropolitan university. It is directly responsible for undergraduate, selected graduate, associate degree, and continuing education for residents of Greater Portland, and it has important statewide responsibilities, including the service of its school of law.

The University of Maine at Farmington (UMF) is a residential, baccalaureate institution with an essentially full-time student body.

The University of Maine at Fort Kent, the University of Maine at Machias, and the University of Maine at Presque Isle are regional campuses serving part-time and full-time students at both the four-year and two-year levels.

The University of Maine at Augusta (UMA) is primarily, but not exclusively, a two-year institution. UMA is the headquarters of the Education Network of Maine, the university system's statewide, interactive television, distance-learning network.

Because of this array of distinct functions and responsibilities, system leaders saw the decision facing them not as how and where each campus should cut, but rather, how the system should approach the problem of budget reductions.

Fiscal Environment

With one dramatic exception, the University of Maine System has been chronically underfunded since it was created by statute in 1968. The exceptional period began in 1986, after a widely publicized report of a blue-ribbon commission called for much greater public investment in the system. So relatively large was the legislative and gubernatorial response ($15 million would be far less statistically significant in many other states) that Maine was propelled to first in the nation in the rate of increase in state appropriations to public higher education. Indeed, that fiscal 1987 special appropriation plus generous regular appropriations during the next two fiscal years were enough to rank Maine first in percentage increase for the entire decade of the 1980s. System campuses for the first time could and did compete for the nation's best young faculty, outdated equipment was replaced, academic support budgets grew, quality rose visibly, morale soared.

All that momentum hit a stone wall in 1990. In both spirit and substance, the University of Maine System has been cast back to 1985, if not before.

Since January 1990, the university system has absorbed seven budget reductions plus a "deferral" of $11 million (1/12 of the year's allocation) that for all practical purposes will never be repaid. From a high-water mark of $152.6 million voted (in 1989) by the legislature for fiscal 1991, the university state appropriation has sunk to an effective $130.7 million for fiscal 1994. The impact has been wide and deep, with students bearing a heavy load both in reduced programs and services and in higher costs. During the last five years, tuition has jumped 65 percent.

In Maine, as in other states, public higher education has come to function as a contingency fund for state government. This is not because of hostility, necessarily, or of any philosophical bent, but rather is the result of the arithmetic of state budgets, much of which consist of entitlements or quasientitlements—everything from Medicaid to the politically popular K-12 schools. With neither the guarantees nor the political protection of its competitors for state funds, higher education is vulnerable to the intense pressures felt by legislators to patch together a budget that inflicts as little short-term pain as possible.

Further, there is no reason to expect a much brighter future once economic recovery begins in earnest; nothing like the 1980s appears just over Maine's horizon. At best, the situation for public higher education in the state will be static for as far ahead as is safe to plan.

This prospect would be discouraging in any state; in Maine it is especially so. Historically poor and with a college attendance rate that trails most of the nation, Maine cannot afford to continue to underinvest—indeed, disinvest—in its capacity to improve the skills of its people.

The Allocation of Pain

One can imagine a range of strategies for coping with falling revenues. In recognition of its land-grant and research responsibilities, the University of Maine could have been extended an extra degree of protection, for example. Or, to take another tack, undergraduate degree programs could have been insulated against cuts at the expense of graduate, research, and service programs. Perhaps a case could have been made for helping or hurting one or another of the regional campuses, or for shutting down the distance-learning network.

Rather than making any differential application of cuts, University System leadership decided to allocate them proportionally among the campuses. If a campus had a 21 percent share of the system budget, then it also had to bear a 21 percent share of budget reductions.

The decision was guided by the principle that cuts are best made at as decentralized a level as possible. The system, after all, is one of largely autonomous institutions with different missions, characters, and programs. While one campus might choose to cut more heavily its support accounts, another might emphasize personnel and another, say, athletics. Autonomy was respected: campuses were told how much to cut, but *how* was left to campus leaders. This strategy has been supported strongly by the board of trustees throughout the four-year ordeal, even as the fiscal context worsened.

Unfortunately, the proportional-cut strategy allowed some to charge that the chancellor and trustees were incapable of establishing priorities and could not make hard decisions about the relative worth of campus programs or even of entire campuses. One result was that in the opening session of the 116th Maine State Legislature (January 1993), a bill was introduced that would have eliminated the Fort Kent campus, followed by another that would have done away with the chancellor's office! (Both bills were unanimously rejected by the legislature's education committee.)

The criticism was predictable. It was the price paid for avoiding political infighting among the campuses that would be destructive not only within the university community but also among the public at large.

The trustees did make clear their priorities, with classroom instruction at the top of the list, but the board and central administration otherwise were strong and consistent supporters of proportional reductions and campus priority setting.

"Five-five-five"

For fiscal 1992 the university system faced a shortfall of roughly $15 million—more than 10 percent of the annual state appropriation. How could a cut of this magnitude be absorbed without grievous damage?

The strategy was to share the problem widely, and not only in a fiscal sense. Perhaps as important was that university people would come to feel personally involved.

The approach was threefold: $5 million in direct cuts to programs and services would be made (again, proportionally) on the seven campuses and at the system office; $5 million would be raised from an 11 percent increase in tuition; and a final $5 million would be realized by asking employees to postpone 50 percent of salary increases that already had been authorized and accepted. In effect, the university system asked faculty and staff to abrogate collective bargaining contracts—an unprecedented step in Maine and perhaps in the United States.

The salary-cut proposal was, of course, controversial. In the end, however, the critically important faculty and professional staff unions endorsed the postponement, and by decisive margins.

On the faculty side, a mail vote confirmed by roughly a 2-to-1 margin a tentative agreement by negotiators to accept a 3.5 percent increase in compensation for the coming year instead of 7 percent, which had been accepted in negotiations held two years earlier.

Also, faculty received a 3.5 percent increase in fiscal 1993, for which there had been no previous contract.

The vote among professional staff was even more positive: 75 percent to 25 percent in favor of accepting the 3.5 percent increase in each of the next two years.

Not all bargaining units acted favorably. The police and service and maintenance units, represented by the Teamsters Union, rejected the university's offer to negotiate and did not give their members the opportunity to vote. The clerical, office, laboratory, and technical workers' negotiating team recommended approval of the amended contract, but members turned it down by a 6-to-4 margin.

As provided by the existing contract, which remained intact for those units that did not approve the amendments, those represented received 7 percent increases. However, layoffs in those units were necessary to stay within the constrained state appropriation.

The 5-5-5 strategy worked because it accomplished precisely what it promised: the dollars needed *and* a shared sense of everyone pitching in. Of all the short-term strategies undertaken (deferred maintenance, hiring freezes, curtailed travel, etc.), this shared-sacrifice plan was most effective.

Project 2002

As fall 1991 gave way to winter, the political atmosphere matched Maine's longest season. Public pressure (abetted at times internally) mounted to take some dramatic action such as closing one or more campuses, cutting way back on cooperative extension, eliminating football or other athletic programs, or curtailing the fledgling interactive television network.

Given this setting, university leaders came to realize that action was required not only to cope with the continuing, probably chronic, shortage of resources but also to preempt some truly damaging cut from being imposed from outside the university community. The system had to put its own house in order and to be *seen* as doing so.

Four principles and conditions guided thinking at this stage:

- Constrained resources are not temporary but likely to persist throughout the decade. Priority setting is imperative.
- Strategy should be long range and reflect a sense of continuing obligations.
- Pressure for the services higher education provides will increase at the same time other pressures force campuses to become smaller and more focused.
- Morale and a sense of community purpose within the university are important, and no plan or strategy should allow the inference of institutional dismemberment.

In January 1992 the chair of the board of trustees announced what came to be known as Project 2002 (for the decade 1992-2002)—the Ad Hoc Committee on Positioning the University of Maine System for the 21st Century. By May the bulk of the work was done, and the board adopted the final report in July. In but six months two rounds of public hearings were conducted throughout the state, public-university task forces deliberated on major missions (e.g., research and graduate education, public service), and a framework for the future was constructed that recognized Maine's economic capabilities while safeguarding what university people felt to be most important.

Inasmuch as Project 2002 is the university system's primary long-range response to the changed fiscal outlook, it is worth summarizing the principal findings and recommendations of its sixteen broad goals and sixty-four specific objectives.

Bowing to the economic climate, the report made clear that the university system cannot be everything for everyone at every place in the state. Campus missions, already distinctive, will become further sharpened as campus strengths are emphasized and duplication avoided. As a general principle, the report promised that courses or programs may be offered somewhere in the system but not necessarily at more than one campus.

The report drafters did not foresee an expanding slice in the pie of funds. Hence, Project 2002 emphasized that high-priority programs will be initiated or expanded at the expense of lower-priority programs, and resources and programs will be shared within the university system and planned collaboratively with other institutions in Maine and throughout New England. In community college education, the system will cooperate with the Maine Technical College System.

On the administrative side, among several areas, the report recommends exploring more effective year-round use of facilities, more aggressive fund raising among federal, philanthropic, and individual sources and a more stable form of state funding. A new differentiated approach to tuition was encouraged and, in May 1993, adopted.

Finally, with respect to declining or level budgets, the report pledges the university system to take advantage of economies of scale and of technology. For example, library materials will be acquired and distributed systemwide rather than campus by campus, building on the system's state-of-the-art electronic catalog.

Rather than dwelling on the negative, however, most of the report addresses not the goals of cutting programs and expenses but rather the goals of excellence, of approaching the best standard of undergraduate higher education in the United States.

Contributing to excellence in teaching and learning the report sets out, are the development of processes for assessing student achievement, identification of best practices in teaching and in learning, and support for high-quality teaching through a variety of incentives.

Stating that Americans need to be adept at functioning in other cultures, the report calls for increasing the diversity and numbers of students and faculty from other countries as well as exchange programs and other links with foreign universities.

In research and graduate education, the report says that distinction will be founded on existing strengths and focused on areas in which the university system can be first class and vital to the state. The University of Maine and the University of Southern Maine will emphasize up to ten "areas of distinction," including areas of particular need in Maine.

The University of Maine and the University of Southern Maine are directed to work with the system office to develop recommendations for distribution of research and graduate programs at the two institutions. In general, however, the University of Maine is to be strengthened as a doctoral university while the University of Southern Maine is to be strengthened as a comprehensive institution (master's level and graduate professional work.)

All campuses are encouraged to apply the fruits of scholarship to the economic and social vitality of the state and to expand their partnerships with government, the private sector, and nonprofit institutions. Students should become more involved in community service, the report argues, and new university economic development centers should foster research, analysis, and technical assistance.

In general, attention is focused by Project 2002 on areas in which Maine has special needs and the university system is particularly strong: public elementary and secondary education, liberal arts, health and human services, science and technology, natural resources, and public policy.

Emphasizing, as it does, improving the university system of the future rather than short-term cost savings and blood-letting, the Project 2002 report was at once somewhat less and a good deal more than what might have been expected. It made only a moderate splash in the news media and did not disarm the system's most vocal critics.

Most people in and outside the university community saw the report for what it is, however: a comprehensive, serious, painstakingly assembled guide to a future of constrained funding. Project 2002 is not dramatic, but it is a serious vision of the future, and it has gone a long way toward satisfying the urge among legislators and others to "do something" about the university system.

ITV/URSUS

Two other long-range initiatives should be noted. Both were started well before Maine encountered fiscal crisis, but they clearly have much potential for using resources efficiently and perhaps even greater opportunities for development in hard times than in good.

The first is a statewide interactive television system called the Education Network of Maine. Initiated in response to the need to deliver community college education without having to construct two-year campuses all around the state, the network has emerged as a national model of its kind. Students who for a variety of reasons may never have enrolled at a conventional campus—island residents, for example—can now earn an associate's degree from the University of Maine at Augusta. A few bachelor's and graduate-level courses also are offered over the network.

Of course, the Education Network of Maine not only reaches so-called place-bound students. The potential is high to deliver from one site many types of courses to all kinds of students at multiple sites throughout the state.

URSUS (University Resources Serving Users Statewide) is a computerized library system that, in effect, unites the university system's many collections. Students in Fort Kent have access to the resources of the University of Southern Maine. For example, the Machias professors can draw on UMaine's library—the largest in the state—nearly as if it were their own. Faculty and students use the system with terminals connected directly, with personal computers and terminals through computer network interconnections, or by dial-up access. The system is easy to use and is available twenty-four hours a day, seven days a week.

Again, while URSUS was not designed as a response to the fiscal crisis, its implicit savings and effectiveness (fewer books and journals distributed more efficiently) are welcome now that crisis has become chronic. The long-term vision for URSUS is that of the "wired scholar": users at microcomputers connected through a global network that provides simultaneous access to personal, departmental, campus, and national resources.

New Revenue

In June 1989—with hindsight, a most inauspicious time to begin a fundraising campaign—the University of Maine System for the first time launched *as a system* a capital campaign. The clouds of fiscal uncertainty were gathering by fall, and by December the storm broke in full measure.

Yet the campaign was a success. Despite the economy, the "Pride & Promise Campaign" collected $19 million of its $20 million goal, suggesting that the goal would have been substantially exceeded in more robust times. As far as is known, no other system has conducted a similar campaign.

Also, the system office allocated special funding to the campuses to strengthen their capacity to raise private money. Previously, only the land-grant University of Maine either sought or received much private support.

The principal strategy for raising new revenue, however, was to raise tuition. Indeed, because tuition was the only major source of funds in addition to the state allocation, the administration and board had no choice but to raise the level of revenue from students and their families.

During 1989-93, tuition jumped 58 percent—an enormous increase in an historically poor state with a weak record of postsecondary enrollment.

In May 1993 the trustees approved the chancellor's recommendation that Maine's archaic, two-tiered structure of tuition be revised. Previously, the University of Maine and the University of Southern Maine charged a higher rate than did the five smaller institutions, but the difference between the two levels was only $210, or 8.5 percent. Essentially, tuition was uniform throughout the system.

The chancellor based his recommendation to the board on three arguments:

- Tuition should be a function of mission, of complexity.
- As indicated by James Mingle of the State Higher Education Executive Officers, tuition should be more subsidized at the entry level (UMA) and less subsidized at the research and graduate level (UM).
- Maine was out of step with the rest of the nation, including New England. Different rates for different-mission institutions are the norm everywhere else.
- The trustees agreed and approved a new tuition structure that, to minimize its effects on students, will be phased in over four years. Henceforth, tuition will be set at five separate levels expressed in terms of a basic rate.
- The University of Maine, as the research, graduate, land-grant and sea-grant institution, will have tuition set at 140 percent of the basic rate.
- The University of Southern Maine, as a comprehensive metropolitan institution, will have tuition set at 130 percent of the basic rate.
- The University of Maine at Farmington, as a residential baccalaureate liberal arts institution, will have its tuition set at 120 percent of the basic rate.

- The three regional campuses—the University of Maine at Fort Kent, the University of Maine at Machias, and the University of Maine at Presque Isle—will have their tuition set at 110 percent of the basic rate.

- The University of Maine at Augusta, the community college of Maine, will charge the basic tuition rate.

In addition to the increases inherent in the new, differentiated tuition plan, the board in July 1993 approved a 3.5 percent general increase to help compensate for rising operating costs and a de facto $2 million cut in the fiscal 1994 state appropriation. For in-state students, the average weighted increase across the system for FY 94 is 7.8 percent.

Despite Mainers' lag in personal income compared with national averages, University of Maine System tuition levels are high. FY 94 annual rates for Maine undergraduates range from $2,550 at UMA to $2,940 at UM; 77 percent of all U.S. public colleges and universities charge their state residents less than does the University of Maine System.

Significantly, however, the reverse is true in New England, with its historic reliance on private campuses. In fact, UMaine is the least expensive of the six New England land-grants. The pressures on tuition come from both directions.

Administrative Costs

While increasing revenues, the administration had to assure itself and others that what funds the system did have were being spent as wisely and efficiently as possible. Thus was born an administrative cost survey by a three-person team of outside executives. Under scrutiny were central (not campus) administrative practices and policies—staffing patterns, accounting practices, information technology, purchasing, and so forth.

In general, the panel found the university system a lean and well-managed organization. Compared with institutions of similar size and complexity, the System was well-structured and well-run by well-motivated people. No "buckets of fat" exist, the panel said.

The university system probably ranks in the top 25 percent of like institutions, they reported to the trustees in April 1992.

The team identified four areas in which management could be improved and savings realized. In purchasing, more effective use could be made of the university system's buying power to serve all the campuses, they believed, with bulk orders making possible both greater efficiency and lower unit prices.

The executives also suggested that more productive use could be made of management information systems in support of administrative tasks. The system should find the means to invest in the latest hardware and software, as budget cuts for information technology constitute false economy, they said.

The survey team gave the system high marks for technological advances in academic areas, particularly in the URSUS electronic library catalog and in instructional interactive television. Technology applied to management would be at least as productive, they suggested. They also recommended a hard look at streamlining processes and procedures, such areas as reducing paperwork, communicating policies clearly, and shortening and clarifying lines of responsibility.

Finally, the panel urged that consideration be given in auxiliary areas—such as food service and transportation—to competitive bidding, including internal bidding. They counseled the trustees to search for tasks that either do not need to be done at all or that can be done by non-university employees. It makes more sense to eliminate an unneeded job than to carry it out more efficiently, they said.

Overall, the trustees and system and campus leaders should take care to establish clear and understandable priorities and to communicate them to the academic community and to the wider public. Once clear strategic goals are set in any organization, they argued, requirements for financial and human resources also become more clear.

The panel complimented the university system on the way reductions had been made during the previous two years. In particular, they noted that significant reductions in full-time staff were accomplished without resorting to arbitrary across-the-board cuts.

The administrative cost survey was valuable on three counts. It gave university leaders and staff a boost in confidence that they were on the right track and operating efficiently. It pointed out areas where improvements could be made. And it served as a shield against political allegations of misadministration and demands for "blood on the floor." Such a survey is risky, as it may uncover things administrators may prefer remain buried, but it can be enormously useful. Based on experience in Maine, a similar review can be recommended to other colleges and universities in similar circumstances.

Control/Reallocation of Expenditures

Again, the basic strategy in Maine is to give to the campuses the autonomy and flexibility they need in making decisions that are best made at that level. It is not to react to perceived crisis by laying on tighter controls in the system office or by reallocating funds there. Systems at their best are not regulatory agencies. Rather, what they do best is to create frameworks for decentralized decision making.

Put another way: in the midst of budget crisis and public and political examination of management and expenditures, the strong temptation is to centralize, to regulate, to attach strings to every dollar. That temptation, however, must be resisted. Establishing and preserving campus autonomy makes sense regardless of circumstance, and, if anything, fiscal hard times make autonomy even more important.

Key Players

In addition to the chair of the board and the board collectively, the chancellor is the most visible university leader and its most influential spokesperson. The system chancellor saw his responsibility as keeping people focused on the primary goals and values of the university as opposed to fighting brushfires kindled by budget cuts and political pressures. The emphasis is on long-run vs. short, on central purposes rather than marginal.

The chancellor has to be able to convey to the public in general and to the legislature in particular what is most damaging to the institution. And what is most damaging may not be fewer dollars as such but overregulation and line-item directives in the budget. (The university system receives a lump-sum appropriation from the state, historically with no or little language requiring or prohibiting specific uses.) The chancellor must lead the process more than manage it and protect the institution's sense of itself and of its priorities.

The chancellor is also critical in a much smaller arena: the seven campus presidents. The team approach is the right one even in placid times, but the cannibalizing pressures of budget cuts make it imperative. Some of the most threatening gestures came not only from outside but also from individual faculty and staff members, who backed campus closings or other dismemberment of the system. It required a genuine sense of teamwork, of being in a joint enterprise, to dismiss these challenges. Led by the chancellor, who stressed teamwork long before the storm gathered, the presidents stayed together and helped damp whatever poisonous rivalries arose on their campuses.

Faculty and staff and, to a lesser extent, students, were involved closely in budget-cutting task forces on every campus. This was a deliberate strategy reinforced frequently by both the board and the chancellor's office, and it was successful in that task force recommendations were widely perceived as fair, however painful they may have been. The process was participatory and inclusive, not dictatorial, and that made a world of difference.

Parenthetically, each campus appoints one faculty member and one student to serve as representatives to the board of trustees. Although they do not have a vote, they sit on board committees, participate in discussions, and most definitely are heard. Thus, even at the system level, there was a sense that all constituencies were involved.

Similarly, in the 5-5-5 strategy discussed earlier, members of collective-bargaining units felt that they were respected participants in helping to solve the problem. Interestingly, leaders in one unit recommended a "no" vote but were overruled by membership by a large margin. Another unit followed a recommended "no" but reportedly came to regret being outside the process. In general, however, most unions and their members had enough trust in the administration to stay the course.

Trust works both ways. Later, pressure was exerted—allegedly from some faculty as well as others—to make a second cut in salaries. The administration rejected the notion in the belief that it is possible to ask people to sacrifice personally once but not twice. The chances are high that a strong majority of faculty and staff would see additional salary reductions as nothing short of betrayal.

It is worth noting that state government offered a competing model of collective bargaining. Unable to reach any agreement with its unions, the state moved to a furlough system featuring both voluntary and mandatory days off without pay; state employees worked essentially a ten-month year. By way of contrast, university employees continued working full time.

The Role of External Agencies

Compared with the executive and legislative branches of other states, Maine's was not intrusive. The state did not grab the reins of tuition, no investigations were launched, no major budget line-items were imposed.

Nevertheless, pressure was exerted and felt. Partly, this was inherent in state responsibilities and was typical throughout America. That is, as noted earlier, as state revenues grew stagnant or even reversed, some areas—such as health care and corrections—relentlessly continued to grow. The money had to come from somewhere, and higher education was seen as less urgent in the short run when the short run was all that mattered.

Partly, however, the pressure came from those who were able to demonize the university system as "fat," with too many administrators who enjoyed too high salaries and too many perquisites of office. As with attacks on welfare justified by egregious examples of "welfare queens," some politicians (spurred on occasionally by disgruntled faculty) felt justified in attacks on the "bloated university bureaucracy." Besides the budget cuts themselves, the most dramatic result of these broadsides was a legislatively mandated 5 percent cut in all state salaries of $50,000 or more, including university salaries. The amendment requiring the salary reduction was introduced by the senator from Orono, home of the system's flagship campus.

The basic university strategy in responding to these attacks was to recognize what was important and what was marginal, and to give way on the latter. Thus, when the legislature's appropriations committee became perturbed about what members perceived as too many university automobiles used by high-level staff, the fleet was trimmed by 30 percent (more than fifty cars), and cars were banned from personal use for all except the chancellor and the seven presidents (and the chancellor voluntarily gave up his). Overnight, a chronic irritant disappeared.

Similarly, responding to complaints that the chancellor's office had become "too large," the administration closed its branch office in the state capital, Augusta. Ironically, the Augusta office was opened only a few years earlier in response to legislative requests for a greater university presence in the capital. (The chancellor's/system office is located in Bangor, some eighty miles distant.)

Discussion of specific problem areas may give an impression of general hostility between the legislature and the university system. This was and is not the case, as the overall relationship is positive and lines of communication are open. That the system budget has fallen both absolutely and as a percentage of state expenditures is primarily a function of irresistible competition from Medicaid and other state responsibilities.

Results and Plans

Raw numbers tell part of the story. The University of Maine System state budget for fiscal 1994 is down $20 million from that originally approved by the legislature for fiscal 1991. Across the system, since January 1990, there are 372 fewer full-time employees, or 8 percent of the staff. Class sections have been reduced, maintenance deferred, and tuition raised and restructured. Morale has sagged, and there is a sense of continuing siege.

It could well have been worse, however, and one can note a kind of pride in having ridden out the storm without catastrophic damage. Campuses were not closed or consolidated, tuition remains relatively low in New England, the system structure is intact and functioning, the board of trustees remains independent and free of unwarranted mandates.

Moreover, reviewing and establishing priorities yields institutional benefits even when the circumstances forcing the review are unpleasant. Doubtless at some point the university system would have undertaken a self-study like Project 2002, but the urgency of the situation made the need for such an examination both compelling and immediate. The imminent choice was either to conduct a thorough review within the university community, or to have one imposed from outside. The choice was easy.

Project 2002 is a guide to the short- and middle-range future. In some cases, such as mounting a capacity for economic forecasting, the 2002 Report produced previously unconsidered activities or functions. In others—partnerships with public schools, for example—2002 confirmed the wisdom of efforts already underway or that the administration wished to initiate. For the next several years, 2002 will legitimize and reward certain activities and proscribe others. It will be difficult to ignore.

The principal result of Project 2002 and, in effect, of the multiyear budget crunch, is that the missions of the seven campuses have become sharper and more focused.

The Farmington campus, for example, has eliminated its associate degree curricula, capped its enrollment at 2,000 FTE, and become much more selective. In important ways, smaller has meant better at UMF.

Pursuing much the same goal on a much larger scale, the president of UM is implementing a 70-point downsizing plan that will eliminate departments, merge colleges, consolidate administrative units, and trim 2,000 marginally qualified students from the total of nearly 13,000 students enrolled in 1992. At Orono, too, smaller and better is the goal.

At Augusta, on the other hand, growth continues apace as the campus acquires responsibility for most community college education in the state. Also, the potential for interactive television is enormous, and UMA is the headquarters for the ITV-based Education Network of Maine. In UMA's case, a sharper mission means a larger institution.

For fiscal 1994, the University of Maine System received from the state $2 million less in unrestricted appropriations than it did the year before, and the appropriation for fiscal 1995 will remain level. No one can foresee when the situation will change markedly for the better, especially given the urgent competition for state dollars.

At the same time, inflation chews slowly away, health-benefit costs are soaring, and the system's ability to compete for new faculty (and to retain existing members) erodes. "Grim" may be too strong a word, but future economies appear exceedingly tight.

Still, the system has come through the last four years with surprising strength. Indeed, in many ways—in quality and sharper focus, for example—university programs are stronger than in 1989 and before. Having demonstrated both toughness and resilience, university people are prepared to deal with the years ahead provided that no more absolute cuts must be absorbed.

University of Southern Colorado

Robert C. Shirley
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The University of Southern Colorado (USC) is a state-supported, regional university located in Pueblo, the manufacturing and retail center for southern Colorado, situated at the intersection of I-25, Colorado's main north-south artery, and US 50, the primary east-west highway in southern Colorado. The city has approximately 100,000 residents and is 110 miles south of Denver, 45 miles south of Colorado Springs, and 100 miles north of New Mexico. USC is the only four-year postsecondary institution in southeastern Colorado (although four community colleges are located in the region) and is recognized as a major resource for the area.

USC is one of three public universities in the state governed by Colorado's State Board of Agriculture (SBA). Colorado, a state of slightly more than 3 million residents, has six higher education governing boards for its twelve colleges and universities plus another governing board for the community college system. Coordination among the various boards is the responsibility of the Colorado Commission on Higher Education (CCHE), which also sets statewide policies for higher education, represents higher education to the state legislature, and makes recommendations to the legislature for higher education operating and capital budgets.

The other two institutions governed by the SBA are Colorado State University, a land-grant research university located north of Denver in Ft. Collins, and Ft. Lewis College, an undergraduate liberal arts college in the southwestern corner of the state at Durango. These two institutions and USC constitute the Colorado State University System (CSUS), a loose confederation of independent institutions. Within the CSUS system each college or university president reports directly to a board that respects the autonomy of the institutions. The primary purpose of the system is to facilitate communication and coordination among the institutions.

Institutional History

USC was founded as a local junior college in 1933 and later evolved into a state-supported community college. In 1963 the institution was designated a four-year college but retained its two-year programs. Afterward, a new campus, Belmont, was constructed in northeastern Pueblo for the four-year programs, while the original campus, in Pueblo, was designated for the two-year vocational programs. The institution became a university in 1975 and was split in 1978. The split or separation involved the establishment of a community college on the original site and the consolidation of all university functions at the Belmont campus. The separation was not completely harmonious and resulted in most of the two-year academic programs (A.A. or A.S.) being retained by the university and taught in conjunction with the four-year programs.

Programmatically the university had developed several engineering technology programs. These evolved from two-year programs during the community college days and eventually matured into baccalaureate programs existing alongside the "old" two-year degrees. These programs, and Pueblo's industrial setting, became the primary reason for designating USC as Colorado's polytechnic university in the late 1970s. That designation was not without controversy. More traditional programs in the liberal arts and sciences were concerned about their role in a polytechnic university, and others felt cheated because the definition of polytechnic did not include traditional engineering programs.

The CCHE has control over program development within the state. That control and interinstitutional politics precluded the development of engineering programs and also precluded the development of significant graduate programs at USC. In 1981 an industrial engineering program was approved, but only because it did not exist elsewhere in the state, and in 1983 an M.B.A. was approved for the institution's business school. The M.B.A. joined a master's in industrial science as the only graduate programs offered by the university. Several graduate programs, however, were offered in consortium with other universities. In the late 1980s, additional master's programs were developed in systems engineering and applied natural science.

Colorado Fiscal Environment

Colorado public institutions receive an annual appropriation from the legislature. The legislature is fiscally conservative and utilizes a single powerful committee, the Joint Budget Committee, to make recommendations on funding. The budget process produces annual budgets that are balanced, a constitutional requirement since Colorado has a prohibition against debt, but often results in conflict between the legislature and executive branch. The governor's office and legislature have been controlled by different political parties since 1974, which contributes to the conflict.

The state's economy grew steadily during the 1960s and 1970s. The latter part of this period was fueled by an energy boom that dissipated by the early 1980s. With state revenues beginning to decrease, the legislature looked for an alternative to line item budgeting and the competitive nature of the appropriation process for higher education institutions.

Thus, in 1983 the legislature adopted a lump-sum approach to higher education budgeting. Governing boards received appropriations for the institutions under their control, and it became the board's responsibility to allocate funds to institutions and to set tuition rates. The basis for the legislature's appropriation to a board is a formula developed by the CCHE. The formula is sensitive to enrollment levels and institutional role and mission. The legislature has never had the resources required to fully fund the formula but is required to appropriate to boards in a manner proportional to the formula. Thus, the distribution process is theoretically removed from the competitive arena.

The executive branch of state government and the legislature respond immediately to anticipated state revenue shortfalls. If actual revenues are below the revenue projection that produced a fiscal year's appropriation package, then recisions are immediately implemented.

The Context For Planning—1984

By 1984 recisions were commonplace in Colorado. They were implemented as across-the-board cuts in operating budgets ranging from 2-4 percent of an institution's general fund appropriation. Because USC's appropriation was approximately 70 percent of its general fund and salaries composed 80 percent of the general fund, recisions occurred primarily in departmental travel, supply, and equipment budgets along with the library's learning materials budget.

Also in 1984, the city of Pueblo suffered severe unemployment. The major industry in the city, steel, was tailspinning and, consequently, the city's economy was in shambles. The relationship between USC and Pueblo Community College (PCC), the separated former vocational arm of USC, was tense because both institutions were competing for students during a period of declining enrollment. USC's enrollment fell from 4,925 FTE students in 1983-84 to 4,564 FTE students in 1984-85, and the institution faced the prospect of further declines. Internally, the institution was experiencing administrative instability, grappling with its polytechnic designation, and apprehensive about its future.

Community leaders, recognizing that both a strong university and a strong community college were necessary for economic recovery, pressured the governing boards and the CCHE for a resolution of the rift between the institutions. The SBA, in 1984, brought in a new president for USC whose charge was to help develop a vision and strategic plan for the institution.

This change in leadership in 1984 occurred during a period of administrative turmoil. The institution had three different academic vice presidents between 1982 and 1984, and a major reorganization of the college and school units was announced during the summer of 1984. During the preceding year, the campus was embroiled in an internal debate over the effectiveness of the prior president and his administration.

Little or no change had occurred in USC's programmatic array after designation as a four-year institution despite Colorado's changing fiscal condition, the prospect of declining enrollments, and the poor regional economy. Thus, in 1984 the new president was charged by the board to implement a process permitting the university to reexamine its priorities and reallocate resources.

The Planning Process—1984-85

In September 1984, the new president met with the faculty and staff to announce plans to review all programs and services of the university. Each program and service would be evaluated according to several criteria: centrality to the mission, the quality of the program or service, the need for the program or service, cost effectiveness, and other considerations.

The primary work of review was accomplished by three task forces consisting of faculty, administrative staff, classified staff, and students. The organization of the planning process called for a Task Force on Academic Priorities, a Task Force on Student Activities and Athletics Priorities, and a Task Force on Administrative Priorities. Representation on these task forces was deliberately broad and balanced from the various campus constituencies.

The charge to each task force was specific to the assigned area of responsibility. The Task Force on Academic Priorities was to evaluate existing and proposed academic programs and services according to the criteria of: centrality to university mission; the quality of the program/service (e.g., faculty quality, library holdings, and facilities/equipment); demand by majors; demand for graduates; service to nonmajors; impact on the public; locational advantage; and cost/revenue relationships. The Task Force on Student Activities/Athletics Priorities and the Task Force on Administrative Priorities evaluated all programs and services on these criteria: centrality to the university mission, quality of the program, need for the program, and cost-effectiveness.

With its charge in hand, the criteria for evaluation agreed upon, a general understanding of the process to be utilized, and the list of assigned units to be evaluated, each task force began to meet regularly to refine the actual work schedule needed to accomplish its charge. Each task force met throughout the fall semester and completed its work by January 1985, presenting reports to the president.

After task force work was completed, extensive review and discussion of the reports began. The president met individually and collectively with the task forces, the vice presidents, and the deans and directors. At these meetings, they reviewed and discussed the substance of the recommendations. These discussions were guided by premises that: (a) the resources of the institution are limited; (b) the key to institutional vitality depends on a sharper definition of mission and programmatic emphasis; (c) colleges and universities need to develop a greater sense of identity and focus in order to achieve excellence; and (d) a commitment must be made to strengthening a limited number of programs responsive to the needs of students and society and consistent with institutional mission. In this manner the strategic plan was designed to be viewed as a means to achieve excellence and quality.

The Strategic Plan—1985-1990

The final product of the planning effort, Mission, Goals, and Priorities 1985-1990, is a document calling for a major redirection of the University of Southern Colorado and articulating excellence as the primary institutional goal. Specifically, the strategic plan identified the following goals for the period 1985-1990:

- to strive, uncompromisingly, for excellence in all programs and services
- to reduce the range of programmatic activity of the university in order to achieve excellence and to serve the larger interests of society
- to eliminate all two-year programs by fall 1986
- to implement admissions standards appropriate to a regional university
- to eliminate remedial courses and programs not appropriate to a university
- to place special emphasis on development of selected master's programs
- to implement a core curriculum to be required of all students pursuing a baccalaureate degree at USC
- to continue to improve the quality of teaching in all disciplines
- to increase the emphasis on both basic and applied research
- to increase interaction with the local community and region
- to develop and implement a major capital gifts campaign supporting the achievement of excellence at USC
- to streamline the administrative affairs and athletic programs of the university to devote more resources to academic programs.

The strategic plan identified the reallocation of resources as the key to attaining these goals. The reallocation was made possible because of extensive program changes recommended. These changes included eliminating twenty academic programs, four administrative offices, and six intercollegiate sports, and reducing many other programs. The changes were designed to free up $3,200,000 (16 percent of the general fund budget) for reallocation.

Implementation

Central elements of the strategic planning effort were enhancements for various programs and activities. These enhancements were possible because of reduction or elimination of certain programs, which made funds available. During the first two years of implementation, nearly 70 percent of the planned enhancements took place. They included increases to faculty salaries, increases in departmental operating budgets, establishment of a research mini-grant program, additional computing equipment, extension of library hours, additional funds for learning materials, and additional faculty positions for selected departments.

As the strategic plan was developed, it received the support of the governing board, the Colorado Commission on Higher Education, and the legislative Joint Budget Committee. These groups indicated that the institution would be "held harmless" with respect to state appropriations. This commitment was necessary because state appropriations are proportional to resident FTE enrollment and the university was certain to suffer an enrollment loss with the elimination of degree programs. The determination to proceed was, therefore, bolstered by the knowledge that the only financial risk involved the loss of tuition revenues associated with the decrease in enrollment.

Enrollments declined, but not as far as predicted. Enrollment dropped to 3,590 FTE students in 1986-87 and then began a gradual but steady recovery. In 1991-92 there were 3,984 FTE students, and 4,064 in 1992-93.

State appropriations have continued to increase every year since the implementation of the strategic plan. The fact that the university was "held harmless" was widely publicized but not widely understood on campus during the early years of implementation. In 1986-87 USC actually received a larger state appropriation than it would have received absent the programmatic redirection. This irony occurred because the university chose to take its "hits" programmatically during a period of declining enrollments.

The strategic plan also enabled the institution to begin planning for the instability of the appropriation process in Colorado. Aware that annual rescissions were a way of life in the early and mid 1980s, the university initiated a contingency budgeting procedure. This approach enabled the institution to make called—for rescissions without making mid-year adjustments in departmental budgets.

The implementation of the strategic plan dramatically improved relationships with the community and has yielded continuing benefits in staff and student morale. Accomplishments include:

- an improvement in the academic preparation of entering students
- excellent placement of students
- the attraction of well-qualified faculty
- an increase in the volume of research activities
- new degree programs at the master's level designed to serve the needs of the region
- a $19.6-million capital campaign, which is 75 percent complete
- the improvement of auxiliary and recreational facilities
- a campus beautification program, which has transformed campus appearance from prairie-like to park-like.

Because the plan called for the elimination of twenty academic programs and the reduction of others, one immediate concern was with students applying for admission to, or currently enrolled in, affected programs. Prior to the formal adoption of the plan, the admissions process for eliminated programs was "frozen." Students currently enrolled in affected programs were notified of the institution's intent to discontinue their program and were given fifteen months to complete the program, transfer to another major, or transfer to another institution.

The personnel decisions associated with programmatic redirection were particularly difficult. In all cases, programmatic decisions were viewed as the cause of personnel reductions. This perspective provided a rational framework for the identification of those affected. Thus, the elimination of the motor pool translated into the elimination of staff assigned to that area, the elimination of football translated into the elimination of the football coaching staff, the elimination of the geology program caused reduction in force of faculty assigned to geology, etc. Decisions were more difficult for programs that were altered or reduced rather than eliminated. For example, the decision to reduce the staff of philosophy by one faculty member called for the difficult decision as to which one. These decisions were made in a manner consistent with institutional personnel policies and Colorado statutes. As the process unfolded, twenty-three faculty members and nine administrators had their positions eliminated and were so notified. Notification of termination to administrators and staff members was given at least five months prior to the date of severance. Faculty members and coaches were notified more than one year in advance, in several instances more than two years.

To aid faculty whose positions were eliminated, USC provided several relocation services, including clerical support and preparation and mailing of resumes. The university also obtained approval for an early retirement plan and then moved retrenched faculty into positions for which they were qualified.

A major objective of the strategic plan was to eliminate all remedial programs. The juxtaposition of baccalaureate, community college, and vocational programs within a single institution had produced a variety of "spot remediation" programs at USC, including precollegiate mathematics and reading. Because it is state policy to fund remedial work only at community colleges, USC was providing remedial services without state funding.

The university eliminated all remedial coursework and developed an agreement with Pueblo Community College to provide the necessary courses. Thus, the services became available to students if needed, but the university was not responsible for staffing the remediation program. PCC teaches the courses and can receive state funding for its efforts.

Fiscal Environment

Colorado's economy has not fully recovered from the recession that resulted from the downturn in energy exploration in the early 1980s. Slow growth in state revenues has been accompanied by significant additional demands for state resources by prisons, K-12 education, and social services.

Colorado's prison population is growing at a much faster rate than the state population's. This growth stems from a "get tough" stance on crime by the legislature and the courts. Tougher sentencing laws mandate longer lengths of stay, which in turn require additional prison space. The requirement for additional space has produced funding for the construction and operation of new prisons. The growth in this funding has greatly exceeded the growth in state revenues.

In 1988, Colorado's legislature attempted to equalize funding for public K-12 education. The result was legislation requiring the state to assume a larger proportion of funding while decreasing local property tax funding. The shift in funding was to occur over several years. Unfortunately, no new sources of state revenue were identified, and the result has been a diminution of resources for other state programs.

Contemporaneous with the increased demands for services is a significant movement for tax and spending limitation. Ballot initiatives supporting tax and spending limitations were presented to the voters in 1988 and 1990. In both instances the measures failed, but the margin was narrow in 1990, and another initiative will appear on the ballot in 1992. The state legislature is mindful of these measures and is extremely reluctant to address its budget problems by increasing taxes.

Higher education initially responded to the tight fiscal environment through tuition increases. That avenue has been exhausted because boards cannot set tuition rates exceeding 30 percent of the cost of education, and all Colorado institutions have reached that level. Consequently, the CCHE has implemented "hold harmless" policies designed to provide an incentive to institutions wishing to review and eliminate programs. However, widescale programmatic redirection has not occurred.

Post-Implementation Planning

The implementation of the university's strategic plan resulted primarily in a sharper institutional focus and the opportunity to reallocate resources to a stronger array of programs. The plan, however, was designed for a five-year period ending in 1990. Consequently, the university initiated a planning process designed to review the strategic direction of the institution periodically.

In 1989 a university planning council was formed. Council members include administrators, faculty and support staff members, and students. The charge to the council is periodically to: assess the institutional environment (political, economic, demographic, etc.), assess the strengths and weaknesses of programs and services, recommend necessary changes to the strategic plan, and monitor progress of the new strategic plan once adopted.

Because the redirection accompanying the strategic plan for 1985-1990 was *revolutionary* in nature, the first product of the subsequent planning process was *evolutionary*. The council utilized a process incorporating expertise from on and off campus in the environmental scan, identified ambiguities in the existing mission, and established criteria for assessing programmatic strengths and weaknesses. The process was participative, and widespread hearings were held to discuss findings and recommendations.

A new plan was approved and adopted in 1991. It does not dramatically alter the programmatic array of the institution but does call for a new set of objectives for the next five years. It sets forth the following recommendations:

- to fully implement the revised general education program
- to improve the quality of teaching
- to set teaching loads at a level appropriate to the mission of a regional university
- to establish an academic endowment with the funds received from the development of university land
- to focus curricular offerings
- to reduce reliance on part-time instruction
- to develop new master's programs professional in nature and pertinent to regional needs
- to expand efforts to recruit, hire, and maintain a diverse professional staff
- to strengthen the university's role in preparing teachers
- to provide more appropriate scheduling of programs and services, especially for nontraditional students
- to establish an improved framework for admission
- to enhance the student placement operation
- to improve retention
- to establish a building renovation fund
- to develop a comprehensive safety plan
- to update the institution's facilities master plan
- to identify USC as a center for study in an area of importance to the region
- to strengthen partnerships within the region
- to improve the alumni development program
- to coordinate closely with public schools, especially Pueblo School District No. 60.

The new strategic plan addresses the remaining ambiguities in the polytechnic mission of the university. The institution is recognized as a regional university with a responsibility to provide technical and career-related programs. Maturation as a regional institution is also evident in the emphasis placed on partnerships. Two examples of significant partnerships are an alliance with the local school district and one with local government and independent developers to improve a portion of the university's property. (These projects are described in the final sections of this case study.)

The Alliance

A major initiative of the university is an alliance with District No. 60, the public school district for the city of Pueblo. Although the alliance has the objective of improving the delivery of instruction in Pueblo, it has also resulted in several significant structural changes designed to foster cooperation and efficiency. Foremost among these changes:

- The superintendent of the district is a vice president at USC, reporting to the university president on specific issues.

- The physical plants of the university and the district have been combined under a single director.

- The safety functions at both institutions have been combined.

- The print shop at the university is being eliminated, and services will be purchased from the district.

- The university's teacher education program has been combined with the district's curriculum development program into a single administrative unit, the Center for Teaching and Learning. The center consists of education faculty from USC, representatives from academic disciplines at the university that support teacher education, curriculum specialists from the district, and affiliate faculty (practitioners) from individual schools. The center has a director who is responsible for meeting the objectives of both institutions.

There are a number of specific linkages (sixteen at present) between the university and the district in addition to the structural connections previously mentioned. Examples are mentor programs, curriculum articulation projects, a program to offer university coursework in the high schools to qualified students, technology sharing, and a visiting artist program. The alliance is much more than a limited partnership between a public school and a university: it is an attempt to forge a K-16 vision for the delivery of education in Pueblo.

The alliance went into effect in July 1991 and proceeded along four parallel tracks. In addition to the structural and linkage connections mentioned, the alliance has developed a new strategic vision for the district and has received the assistance of a notable national advisory board. The district's planning effort culminated in a restructuring proposal calling for reallocation, within a three-year period, of $5.2 million from administrative and support functions to instruction. During the first year of the restructuring plan implementation, $1.9 million of the total identified has been reallocated. The remainder will be reallocated, as planned, during the next two years.

The alliance with the district is an example of a partnership assisting the university on several levels. First, it provides assistance in the community and region in a manner in which the university is uniquely qualified. Second, it provides the opportunity to improve the curricular offerings of the university. Third, it holds the promise of improving the academic performance of potential students. And, fourth, it provides opportunities for coordination and efficiency of resource utilization.

Land Development

The second example of a unique partnership involves the university's disposition of excess property. USC's campus is an 850-acre holding on the northeastern fringe of Pueblo. The campus buildings, parking facilities, and recreational areas lie within a maintained area of approximately 120 acres. The long-range plans for the campus can be accommodated easily within 275 acres. Thus, the university began discussion of how to convert the remaining 575 acres of raw land into a productive asset.

Three objectives were set:

- The university should realize an economic benefit from the use of the property.

- The property should be used in a manner aesthetically consistent with campus appearance.
- The property should be used in a manner promoting the economic development of the region.

By the late 1980s, Pueblo was reviving economically. It was attracting new and diversified industries to southern Colorado. While the emphasis was on production-related industries, each new plant brought new executives and managers to the region. This created a demand for executive housing that soon exceeded supply. Consequently, a plan for development emerged to meet the demand.

Pueblo, a city with a population of 100,000, had only one municipal golf course. Therefore, the university worked with the city to locate a golf course within the 575 acres of excess property. The university donated 175 acres to the city, and a new municipal golf course was constructed and opened for play in 1991.

Demand for new housing, the existence of a golf course, and proximity to a campus were sufficient inducements to attract a private developer. In early 1992 a developer was identified for the remaining 400 acres of excess property. That developer is completing plans for the residential and commercial developments that will surround the golf course and hopes to begin the first subdivision in early 1993. The success of the development depends on the cooperation of the developer, city, state, and university.

As the property is developed, the university will sell identified parcels to the developer. The proceeds from the sales will be placed in an endowment reserved for enhancement of academic programs at the university. This partnership provides a benefit to the community in addition to enhancing the resource base of the institution.

Results

Because of its strategic planning process, USC is prospering in an era of scarce resources, recognizing and supporting its mission, and earning the respect and support of its community. And to ensure future effectiveness, it is aggressively pursuing partnerships with a number of external organizations and agencies.

University of Wisconsin-Oshkosh

John E. Kerrigan
Chancellor

The University of Wisconsin-Oshkosh is a comprehensive regional institution, one of thirteen four-year campuses (there are another thirteen two-year centers) that make up the University of Wisconsin System. Founded in 1872, the UW-Oshkosh is nearly 125 years old, enrolls more than 11,000 head-count students (almost 2,000 of them at the graduate level), employs 1,100 faculty and staff, and has an annual budget exceeding $80 million, about $35 million of which comes from tax revenues.

UW-Oshkosh began as a state normal school and attained teachers college status in the mid-1920s. It began offering liberal arts degrees in 1951 and was granted university status in the late 1960s. When merger was implemented by the legislature in 1972, the Wisconsin State University Oshkosh became part of the University of Wisconsin System.

The university's four colleges (letters and science, education and human services, business administration, and nursing) offer a wide range of majors and minors. The colleges of business administration and nursing are accredited at the undergraduate and graduate levels by the American Assembly of Colleges and Schools of Business and the National League of Nursing, respectively. Programs in the other two colleges are accredited by a variety of national professional bodies.

Fiscal Environment

State

A decade ago, the state of Wisconsin provided 42.76 percent of the total University of Wisconsin System budget, amounting to a tax base contribution of $488,609,379 to its $1.14 billion budget. By 1991-92, the dollar amount of the state's contribution had risen to $759,536,700, but that constituted only 34.92 percent of the system's total $2.175 billion funding base. On a percentage basis, state support has declined by 20 percent over a ten-year period. The downward trend had been consistent and discouraging. Social welfare issues—health care, family aids, and law enforcement—now consume considerably more of Wisconsin's tax revenues than does higher education.

Like many states, Wisconsin has a constitution requiring that its budgets balance. Partly because of the governor's ability to exercise line-item veto powers and mainly because of a rather conservative fiscal approach—no matter which party has been in power—this difficult requirement has been met, though not without occasional resort to the magic of modern accounting. At UW-Oshkosh we believe (and the current administration seems to agree) that the 1991-93 budget has created a cast-forward obligation on the next biennial budget of nearly $250 million. Though tax revenues have remained stronger than those of the coastal states and employment has continued to be high, we anticipate that state funding will continue to be difficult to obtain and that competition for shares of the tax dollar will be fierce. Health care and welfare costs continue to escalate, as do law enforcement expenditures. Unless the state reassesses its priorities, the decline in the percentage of support provided to Wisconsin's public universities through tax dollars may well follow the historical decline of the last decade.

Institutional

Although it is tempting to believe that there was a recent time when the university had the resources necessary for innovation, since the halcyon days of the 1960s, base-budget reallocation and constrained budgets have been the order of the day. In 1975, UW-Oshkosh adopted a new calendar creating a pattern of fourteen-week academic terms followed by three-week interims. The calendar, approved by the faculty through referendum, created new teaching flexibility (courses could variously be offered in seven, fourteen, or three weeks during the regular academic year and eight or four weeks during the summer) and allowed certain economies to relieve severe budgetary problems resulting from unanticipated enrollment declines. (Summer could be taught as part of load and overload teaching in the summer paid a maximum of 15 percent, rather than the traditional 22 percent.) Largely as a result of The Calendar (as it came to be known) the university was able to establish a $200,000 faculty development fund supporting both research and curriculum development. While that program has grown, as part of a university commitment, the latitude it allows for program development or the testing of new ideas has diminished as the faculty uses the more than $711,000 now available almost exclusively for research and professional development. Most new initiatives in recent years have grown from grant-supported and gift-funded projects that have proved themselves and subsequently earned priority consideration in the budgeting process; mandated programs the university has had to fund out of base-budget reallocations; and within-unit efforts (some arising from the university's recent involvement in Total Quality Management) calling for new levels of resource control and the diminution of certain services.

Considering the state-level fiscal picture, the university does not anticipate significant improvements in funding. Faculty members are increasingly involved in grants activity, and their successes have helped leverage the capital budget and supported innovative programs such as the university's off-campus nursing degree completion program. The university has given higher priority to fund raising and over the past decade has seen gifts increase tenfold . . . but starting from a very modest base. We have accepted the fact that the finances of our universities rest on four interactive components: enrollment levels, tuition revenues, the level of state funding, and external funding. The major fiscal issue becomes the extent to which the system, the board of regents, and the individual campus can favorably affect these factors; most of the following strategies address one or more of these core components.

Resource Allocation Strategies

Short- vs. Long-Term

The primary, systemwide long-term resource allocation strategies are enrollment management, decision item narratives, and quality reinvestment.

The enrollment management process was instituted by the board of regents in 1987. In effect, enrollment management is built on an agreement with the legislature: if system size is allowed to shrink in a controlled manner, state budgets will be maintained. As a result, per-student expenditures can be maintained and quality education can be ensured. In the first four years of the program, system head-count enrollments dropped from 164,518 to 159,979—slightly over the regents' target. FTE enrollments at the University of Wisconsin-Oshkosh moved from 9,568 in 1987 to 9,279 in 1991. The second phase of enrollment management will reduce enrollment from 9,220 FTE to 9,007 FTE by 1994. The strategy has had a discernible effect in promoting the university's efforts to strengthen its quality. Less than fifteen years ago, the University of Wisconsin-Oshkosh had open admissions. At the beginning of enrollment management, the average high school rank of the entering freshman student was 63.0 (up from 58.2 in 1978, when efforts to increase student quality began). By 1991, class rank had risen to 69.5. Four years ago, 82.1 percent of UW-Oshkosh freshmen graduated in the top half of their high school class; in fall of 1992, 91.6 percent had. Put another way, enrollment management began as a fiscal strategy but ultimately allowed the university to further its academic ambitions as well. Savings from the downsizing have allowed funding of the Quality Reinvestment effort (discussed herein).

Decision Item Narratives (DINs) have been a major system tool for addressing fiscal need. The basic process involves identifying major items needing attention (e.g., inflation in the costs of library materials, classroom modernization, services and supplies), developing specific systemwide proposals for funding, and then asking the legislature for targeted dollars to resolve the problem either in the short term (biennium) or over the longer run. (For example, laboratory modernization funds obligate the state to expenditures across the course of several biennia.) There have been defects in the process, however: occasionally, the legislature has not seen DIN funding as over and above the cost-to-continue but has reduced the system's overall budget while restricting the use of certain dollars to DIN items. A somewhat parallel process (without the terminology) has been used on campus: as budgets are set, each of the operating divisions is asked to identify areas of special, long-term needs relating to the university's long-term goals. The goals, themselves, are set through a comprehensive planning process involving faculty and staff members, students, and community members and serve as institutional decision-making guidelines. Requests are reviewed and commented on by an all-university budget committee that involves faculty and academic staff members, students, and administrators.

Finally, a system-initiated Quality Reinvestment Program has involved the university in redirecting some funds made available by enrollment reductions to meet high-priority needs in faculty compensation, library support, educational technologies, and microcomputers. Between 1992 and 1995, the university will reinvest $1.2 million to address these needs, with decisions made through collegial consultation. The program has led to a reassessment of current position-savings and priority-setting policies, simplification and regularization of the budget-setting process, and an examination of the institution's long-term ambitions. Some of the funds captured—mostly from personnel lines—will be available for continued reinvestment.

On its own initiative, the University of Wisconsin-Oshkosh has become involved in Total Quality Management (TQM), and the resultant team-building process has encouraged broad involvement in improving service and increasing efficiency. The greatest value of TQM appears to reside in the involvement of a variety of people in decision making. It encourages an understanding of the university's fiscal environment and participation in recommending ways to resolve problems. Total Quality Management approaches are appearing in areas ranging from executive-level decisions on replacing or reorganizing programs to classified staff decisions to make programs more responsive to customer demands. The system and regents now require all campuses to develop TQM programs.

Short-term strategies at UW-Oshkosh focus on position savings, budgeting, and matrix staffing. The university has begun implementing a policy to capture savings from sabbaticals, the use of ad hoc hires to meet temporary needs, or leaving certain positions vacant to generate funds. In the past, most of such savings remained within the budget unit and were unavailable for wider university use. The university has also adopted a "fractional budgeting" strategy, which distributes 98-99 percent of available budget funds, leaving some flexibility to meet contingencies. We have also taken steps to encourage matrix staffing, dividing responsibilities normally assigned to one person to a number of individuals who receive a modest salary supplement. Policies within units also generate savings: restrictions on professional travel, shared use of instructional equipment, use of inhouse expertise instead of contracted services, and so on.

Revenue Enhancement

Basically, the university has committed itself to four fundamental revenue-enhancement activities.

It has maintained a formal, structured program of communication with regional legislators, partly through the office of the assistant chancellor for university relations and services, but mainly through the active efforts of the chancellor. Monthly newsletters, periodic meetings to update legislators on issues affecting the university, and regular visits to senators and representatives in their capitol offices have resulted in a group of well-informed and supportive elected representatives. In the past, we have been able to call on their support in a variety of situations: to one degree or another, every one of our representatives has made a sincere effort to offer assistance when we asked though—as might be expected—with varying degrees of success. Through this process, we have learned two important lessons: legislators often lack a thorough knowledge and understanding of university processes or the implications of proposed bills on which they are to vote; and elected representatives are anxious to have opportunities to interact with members of the academic community—who are not only their constituents but opinion leaders.

Second, the university has reorganized and expanded its alumni program. In the past, alumni activities seemed to be the province of a rather small group of individuals, most of them in their respective geographic areas. Services were largely educational. The primary emphasis was on continuity and a sense of community. Fund raising was sporadic and ineffective. Reunions were restricted and generally attracted little attention. Several years ago, a new alumni director—with experience in the field—was hired and charged with creating a program that would involve greater numbers of people, provide a range of activities and services, and create opportunities for fund raising. This year, for the first time, a broad-concept reunion was held, which attracted numbers of graduates back to the university. Alumni meetings have been held in California, Washington, D.C., and other metropolitan centers. Telethons are used to establish patterns of giving and to establish contacts. Perhaps most important, the university has accepted the fact that it now has a reasonably large cadre of alumni who have reached a point in their careers that permits significant levels of giving. We have seen moderate increases in alumni gifts and anticipate continuing growth.

Third, new emphasis has been placed on grant seeking. In the past year, the university has reorganized its graduate program and made the dean responsible for encouraging greater grants activity. One result is that the number of applications to federal and private sources is beginning to increase rapidly. Historically, the university has enjoyed a reasonable level of success with federal agencies: matching funds and outright grants have contributed badly needed equipment to support our instructional and research efforts, and several federal awards have supported innovative academic programs that have become permanent. Now there will be a new emphasis on working with private foundations, which have generally not been a significant source of funds for the university, and an expanded program seeking federal dollars to provide education and research in areas of national interest.

Finally, the university foundation is more active in fund-raising. We have witnessed sharp increases in funds received to support scholarships and instruction-related programs for each of the past five years. The chancellor has been active and successful in soliciting gifts for the university. The college deans are now becoming involved in similar efforts, as are senior administrators. The current president of the board of regents, who serves on the board of at least one private college, believes in the need for public universities to become more active in tapping private sources if they are to restore their own fiscal health. The University of Wisconsin-Oshkosh has made first steps in that direction and anticipates considerable potential for an increase in these gifts.

Control/Reallocation

As mentioned earlier, the Quality Reinvestment Program provides the university with both the challenge and opportunity to redistribute $1.2 million over the coming three years. Some of the reallocations will be permanent—e.g., those used to bring faculty salaries to the median of their peer group. Others will be one-time and will release funds for reuse—such as the investment in new computer technologies. The overwhelming majority of this funding will come from personnel lines, and should continue over the long run.

Control strategies apply at the macro and micro levels. On a university level, budgetary units (seventeen of them) operate with caps on expenditures. Within certain limits—they are prohibited from transferring funds from the personnel line to other operating budgets without review and agreement from the vice chancellor (academic areas) or chancellor (operating areas)—unit managers are free to develop their budgets as they see necessary. As might be expected, certain control strategies, sometimes developed as policy, prevail within the budgetary units. Most, if not all, limit travel as a means of controlling their budgets and as a means of assuring equitable treatment of employees. Departments within units may have their own strategies, such as specifications that persons delivering papers at national meetings will receive one level of travel support and those simply attending will receive another. Position control is, by necessity, exercised at a fairly high level, since more than 90 percent of our operating budget is personnel costs. Recently, we entered a new phase, with a team of upper-level administrators working together to make decisions on replacing, reconfiguring, or reinvesting positions. This collegial approach is in its early stages, and there is no assurance it will result in significant savings; however, it is likely to help educate a wider contingent about the academic and support needs of the university and initiatives under consideration.

Role of the Chancellor

In the past, the chancellor has been the pivotal figure in the fund-generating, dollar-control process. Such centralized approaches, with information withheld or distributed sparingly, have fueled the notion of an adversarial gap between administration and faculty. In effect, faculty have seen university problems as the chancellor's creations and, therefore, his responsibilities. As might be expected, the pleasures of being able to take credit for the accomplishments of others is quickly offset by the inevitability of having to take blame for all failures as well. At the University of Wisconsin-Oshkosh, Total Quality Management has become a route toward involving larger numbers of individuals in the decision making process: one of TQM's principles is that persons at all levels are "empowered" to assist in making decisions. Along with that empowerment comes a certain level of responsibility: everyone shares ownership of the university's interests and everyone has some capacity to help address them. In short, the chancellor increasingly plays a role as team member.

One of the greatest challenges facing universities in an unfavorable fiscal environment is how to get the greatest number of good minds involved in finding solutions. That challenge obliges the chancellor to lead without trying to control every element of university operation.

Role of Faculty and Staff

In addition to the faculty and staff roles just discussed, two other elements deserve comment.

The first is the place of formal governance in the managerial process. Wisconsin is a rather unusual state in that the governance role of faculty, academic staff, and students is specially addressed in the statutes. In the past, the relationship between administration and governance seems to have followed the union model (perhaps because the statutes are sufficiently vague in their terminology to tempt governance organizations to overextend their rights and powers). Issues often grew into conflicts between what one side defined as "primary responsibilities," which quickly became absolute and exclusive rights, and what the other sometimes considered "managerial prerogatives." Most of the first two decades of governance at the University of Wisconsin-Oshkosh concentrated on struggles to determine the answer to the classic question, "who decides who decides?" In recent years, a more cooperative model—based on regular exchanges between the administration and the executive committees of the three governance groups—has prevailed. Faculty, staff, and student involvement in goal setting, quality management exercises, and budgeting is greater than ever before (though still not optimal). Information sharing is frequent and carried out formally (i.e., communications to the whole faculty and staff) and informally.

The reallocations required by Quality Reinvestment affect both staffing levels and salaries. Governance participation in this process is logical and crucial. In general terms, we have made a commitment to involve groups in decision making who are affected by the outcomes.

Development of Initiatives. The university has an extensive and involved goal-setting process, one part of which involves the recommendation of initiatives leading to goals. We have used a formal, iterative process and Delphi rankings to establish long-term goals, which are reviewed periodically, (We had a mid-course correction session in January 1992 and reassessed our goals in January 1993). Faculty and staff members and students play a significant role in the study committees that develop ideas for implementation of the goals.

We have also benefited from a more informal cross-disciplinary process in which the faculty, staff, and administration address university concerns and present programs to resolve them. The university honors program and Learning Community are both the result of discussions carried out in this fashion: both grew from the bottom up rather than top down. Some programs (such as the weekend college) began as administrative initiatives but have acquired guidance and policy directions from student-faculty oversight committees.

Implementation. Almost all initiatives require unit (college, division) or university-level support for implementation. Most require staffing and funding before they can move forward, and these resources are usually budget add-ons.

The greatest challenge we face is freeing up resources to support sound initiatives or to experiment with good ideas. The university's faculty development program used to have what is called a "needs component:" the definition of an all-university need, the solicitation of proposals for dealing with it, and the funding of the first levels of work to create initiatives. The weekend college benefited from this sort of encouragement, as did a teaching excellence center. Recently, as increasing numbers of colleges and faculties have emphasized original and applied scholarship, the funds available through the faculty development component have been in heavy demand for research and the needs component has not been available. This issue demands further examination because we believe that some sort of support structure is crucial if we are to encourage new pedagogical approaches.

Role of External Agencies

At almost all levels of operation, the university is affected by the decisions and views of federal and state agencies. Decisions on auditing procedures and bookkeeping support for the servicing of federal loans, for example, or requirements that we report on crime statistics to all students, have significant budgetary implications. Money from federal grants is a valued resource to supplement our limited capital funds. As might be expected, when we accept funding we must also endure regulations—such as drug-free school certification, compliance with non-discrimination requirements, and percent of effort for collections.

Board of Regents. The board of regents plays the clearest role in seeking funding, setting fees, making rules, and requesting reports, but other state agencies, such as the Department of Administration (DOA), and Department of Public Instruction (DPI), affect our operations and, indirectly, our budgets. The DOA, for example, oversees and audits everything from the operation of the university's vehicle fleet through its decisions on classification of services. DPI sets curricular standards for prospective teachers and often reviews program content to ensure that our training programs and graduation requirements meet its standards.

However, it is the board—a body of appointed, unpaid advocates for the university—which affects the university and its operations most directly. Regents are the ones who endorse and seek its budget, set tuition and fees, create the rules regulating university operations, receive the reports and provide the reaction that determine our future direction, and state the ideals guiding the system. The board responds to a broad constituency, and sometimes individual members appear to advocate the interests of specific interest groups. In the overwhelming majority of cases, the center of their interest is the university system and its well being, though recent years have been considerable (reflecting changes in the board itself) in a business approach to higher education, with accountability, efficiency, and resource management receiving high priority.

System Administration. System administration is the managerial arm of the board and exists to assist the individual campus. To say this is to state an ideal.

In point of fact, the system administration has become the coordinating body overseeing the actions of individual campuses. Working with and through chancellors, it develops policies and strategies, collects and interprets data, communicates the expectations of other state agencies and the regents, and speaks for the University of Wisconsin System on topics of import. System administration has become large, with the number of management and staff exceeding 200. Its president serves as the convener and director of chancellors; its vice president of academic affairs holds the same role in terms of vice chancellors, and so on. There are certain advantages to such a mega-administration: the system is able to speak (and lobby) with one voice, it is able to make a collective case often untainted by special pleading in favor of the interests of one campus over another, and it can reduce duplication of efforts. The disadvantages are, perhaps, equally obvious: it tends to urge campuses to conformity and consistency; smaller universities sometimes feel their best interest is overwhelmed by the flagship campus, and the flagship in turn feels that it loses the ability to respond to its unique needs because all the remora have to be fed at the same time; and the "voice" of the system administration now and then seems to speak in a tone reflecting either an unfamiliarity with what happens in the classroom or an insensitivity to it.

State Legislature. The legislature has, and definitely knows it has, the power of the purse. It is the single most influential element in setting resource priorities and, as noted, in recent years it has not been the university system that has basked in the sunlight of legislative favor. There are those who bemoan a growing tendency toward micro-management on the part of legislators and the executive branch. They have their own audit bureau and have provided the board of regents with a staff (still small) that has peripheral reporting authority to the legislature. Though this sometimes happens at the regents level, it is more common that a legislator or a friend of a legislator or a constituent encounters a minor problem at a system campus, and there is suddenly an attempt to produce sweeping regulations to supposedly remedy the sorry state of affairs.

All this said, even with vehemence, it is also true that the university has managed to maintain a cordial and productive relationship with its elected representatives throughout the Fox River Valley region. When they have a full understanding of the issues we face and the needs we have, they are almost always willing to serve as active, voluble, and frequently effective advocates.

Obstacles

Many obstacles to implementing creative strategies have been addressed throughout the preceding narrative. Most clearly, those having the most severe effects tend to grow from traditional budgeting patterns, the university's long-term commitments in the instructional area; and the inflexibility of external regulation.

Built into the statutory governance rules is the requirement (barring fiscal exigency) that concurrence be reached before significant reorganization of the academic component is implemented. This requirement is not unreasonable, but it hampers organizational adaptability to changing conditions. Base-budget reallocation is—and has been—the order of the day. Incremental budgets are not likely. Yet more than 90 percent of the university's budget is devoted to personnel. Under these conditions, it is difficult (though not impossible) to create institutional change, most particularly to reorganize in order to free up budget resources. The expectation is that when positions become vacant, filling them will be more or less automatic. Our recent efforts to use Total Quality Management and group decision making as devices for creating flexibility seem a step in the right direction, but we need a better method for layering long-term academic planning on top of the process if we are to free up resources to meet our evolving needs.

The university has properly taken the position that it will honor its contractual commitments. In 1972-73, we experienced traumatic and still well-remembered tenure layoffs. There seems to be universal agreement that the decision was ill-advised, and our surest remedy to the fear occasioned by these layoffs is to offer believable assurances that it will not happen again. The board of regents has begun discussions in recent months about continuing reviews of tenured faculty, mostly because there is a perceived (and perhaps real) need to find ways of becoming more responsive to changing student interests and developments in various disciplines (e.g., the growth of robotics, student demands for engineering degrees, and declining interest in business). Our commitment to long-term employment contracts is firm, but we recognize that this principle reduces budgetary flexibility.

The effect of outside forces on university operations seems to be increasing. As noted, the legislature has become involved in activities widely characterized as "micro-management." The regents have also taken an active interest in the curriculum, teaching loads, budgets, enrollments, tuition, service, and equipment expenditures. Other state agencies such as the Department of Public Instruction and the State Building Commission make decisions affecting our budgets in significant ways. Actions of the federal bureaucracy can affect enrollments or the attractiveness of certain majors. Insofar as these changing regulations come from within our base operating budgets (often the case), they take away flexibility.

Incentives

Under the Quality Reinvestment Program—funded primarily from salary savings—first emphasis is placed on bringing faculty salaries to the median of the university's peer group. This is more than a ploy: the fact that faculty salaries lag in Wisconsin is a long-standing problem. Quite a number of the investments we make through this program have both university priority and strong faculty support—library enhancements, providing more personal computers for faculty use, activating a fiber-optic communications network.

Academic deans and unit leaders are able to retain a significant part of savings effected by holding positions vacant for a period of time or by allowing the position to be reallocated. It is too early to ascertain whether this strategy will create a more rational, open staffing policy.

When layoffs took place at the beginning of the 1970s, the regents mandated the creation of a new class of employees: academic staff. These were to be persons who lacked the job protection involved with tenure. As time has passed and the university system's enrollments (and future) have become stronger, there is a growing push for job security for academic staff. Long-term employment contracts are becoming more common, and the supposed flexibility created by a large contingent of academic staff is more notional than real.

Results

The University of Wisconsin-Oshkosh is in the midst of its three-year Quality Reinvestment Program. About $60,000 has already been made available for use in high-priority areas. We have had one major meeting with administration and governance groups to pinpoint sources of future savings and what policy changes will be needed.

Long-range planning continues to have high priority. In January 1992, we held a mid-course correction to look at the stated goals, possible initiatives, and new directions for the future. A similar conference involving faculty, staff, students, and administrators was held in January 1993. It is critical that the university set its vision, values, mission, and goals; reach consensus on these elements; and implement a budgeting system driven by them.

Plans

Much effort is being given to regularizing, publicizing, and reshaping the university's budgetary process. We seek a system offering broad involvement, clear and accepted guidelines, an understanding of the university's fiscal environment, and sufficient data to allow rational choices. The Total Quality Management process is becoming the core model for forming the university budget.

External funding has become a crucial element in the university's progress toward more effective recruitment and retention of faculty and students, increased research activity, and curricular innovation. We expect increasing efforts (and successes) in fund raising. Our community has become increasingly aware of the resource provided by the University of Wisconsin-Oshkosh, and we will be seeking more support from area businesses, industries, and individuals over the next few years.

It appears that our fiscal successes will depend more and more on the good will, involvement, and energy of faculty and staff members.

Washburn University

Hugh Thompson
President

Sheldon Cohen
Executive Director
of Planning

Washburn University (WU) was founded by the Congregational Church in 1865. From its beginnings as a small church school to the present, it has grown into a comprehensive, regional urban university offering a doctorate in law and master's degree programs in business, education, and psychology. The bulk of its resources are channeled into its undergraduate programs. Washburn has about 250 full-time equivalent faculty members, approximately 75 percent of whom have terminal degrees.

Nearly 7,000 students are enrolled, and 90 percent work part or full time. Most students are commuters. About 59 percent are women, and 46 percent are enrolled part time, carrying fewer than twelve hours per semester. The average student is 27.5 years old, and 95 percent are from Kansas.

The undergraduate liberal arts programs have been the strength and mainstay of the institution and are housed in the college of arts and sciences. Its school of law was organized in 1903. The department of economics and business became the school of business in 1973. The school of business instructs students mainly on the undergraduate level but does offer a small nontraditional evening M.B.A. program.

In response to the demand for highly qualified health care professionals in northeastern Kansas, WU founded a nursing program in 1974. The growth and reputation of this program brought the creation of the school of nursing in 1982.

In 1983, the school of applied studies was formed to meet the professional and technical employment requirements of the community. The school offers Associate of Applied Science, Bachelor of Criminal Justice and Social Work, and Master's in Social Work degrees.

The school of continuing education, formed in 1992 through the combination of several separate campus services, offers extensive credit and noncredit off-campus programs to businesses, government agencies, and health care organizations.

Washburn became a municipal university in 1941 after the citizens of Topeka overwhelmingly voted to commit community resources to maintaining and developing a university of quality, and it remains the only municipal university in the country. The institution has always had close ties with the metropolitan area but in recent years has increased its efforts to become infinitely more an urban university. Programs such as the Small Business Institute and the Yale University School Development Project, a program for urban teacher education, exemplify Washburn's interaction with the community.

In 1965 the State of Kansas began to furnish WU with state aid, and in 1985 the board of regents voted to seek admission into the Kansas Regents System. Legislators approved a resolution in 1992 stating, "The entrance of Washburn into the state system is inevitable." They also ordered a joint legislative committee to study the feasibility and cost of taking Washburn into the state system.

Fiscal Environment

External

The Kansas economy has been affected, as has the rest of the nation, by the recession, but factors such as unemployment and tax revenues have not undergone the drastic changes found on both coasts. In recent years, the biggest problem for adequate funding of higher education in Kansas has been caused by the need for large increases in expenditures in such areas as social services, corrections, and K-12 education, despite relatively unchanging state revenues. Although the legislature has not approved the increases requested by the Kansas Board of Regents and Washburn University, it has granted an increase of 2-4 percent in each of the last two years. Their conservative policy has averted the need for major mid-year cuts in approved budgets. A 1 percent reduction in Washburn's state aid, mandated last year by the governor, was absorbed by the university without any change in budget expenditure.

The city of Topeka, which contributes to the university through a mill levy on property, has had an appreciable decrease in property evaluation because of statewide reappraisals. At the same time, strong pressures created by taxpayers' protest groups have made it difficult to increase local property tax rates.

The projected fiscal environment for both the state and the city of Topeka, for the next ten years, is for only a relatively modest increase.

Internal

In 1991-92, Washburn received $31,250,000 in educational and general revenues, divided as follows: student fees, 40.3 percent; taxes, city of Topeka, 27.5 percent; state aid and out-district aid, 20.5 percent; endowment income, 2.3 percent; and miscellaneous income, 9.4 percent. As mentioned, under the external fiscal environment, little increase in revenue can be expected from the state or the city. The only major income-producing source Washburn can control and use to pay for increases in future budgets is student fees. However, raising student tuition creates other problems. In the ten years from 1982-83 to 1991-92, Washburn's undergraduate resident tuition had increased from $34 to $82 per credit hour (a 141 percent gain). Increases in tuition were affecting the numbers of part-time students who enrolled and causing hardship for full-time, nontraditional students. Because of these factors, the Washburn Board of Regents decided to freeze resident tuition for a few years and afterward restrict increases to a modest level.

Coping Strategies

Washburn has been fortunate in not having to make rapid readjustments in operations because of a deficit budget. But it has been expending much time and effort to initiate programs that will help minimize this problem. The systems in place or being developed fall into three categories: (a) mandated state laws and broad administrative approaches, (b) short-term strategies, and (c) long-term strategies.

Mandated State Laws and Broad Administrative Approaches

- The president and his senior staff have set a tone of fiscal responsibility. This attitude is one of the most valuable to develop in a time of scarce resources. Chairpersons, deans, and all others who have the authority to spend university money must be weaned from the "use it or lose it" mode. In 1991-92, approximately $600,000 was saved from unspent budgeted accounts. This amount, along with $134,000 obtained through increased tuition, was spent on library computerization and equipment purchases. Decisions on which items would be purchased were based on priorities, *not* on how much money was returned from a given cost center. In the two years this program has been in place, every department and nonacademic unit has received some needed equipment from the savings. This "reward" system has helped increase the trust between the central administration and the individuals who actually initiate most of the university's expenditures.

- The State of Kansas has a cash basis law restricting the institution from operating with a financial deficit. It does, unfortunately, allow for underfunded activities.

- The university tries to keep an approximate uncommitted fund balance equal to 25 percent of its annual budget (about three or four months) expenditures. This cash (at present, about $7 million) available for general and educational operations has been obtained by retaining the net increase for those years having a surplus of income over expenditures. This contingency fund, available in a financial emergency, gives the university time for studied planning and corrective action.

- The state legislature has approved a property tax levy on the city of Topeka of three mills for capital expenditures at Washburn University. This money can be used only for debt retirement, construction, physical plant repair, and permanent equipment purchases. Because these funds are restricted usage, they cannot be diverted to salaries or general operations. This measure averts the future problems of decaying buildings and an inefficient physical plant.

- Closely related to the previous point, Washburn University also has in operation a detailed facilities/capital improvement master plan. This document includes, among other things, the time schedule and cost of long-range preventive maintenance on present buildings and the financing plan for all future construction.

- The institution has made individual units responsible for the fiscal policing of their own expenditures. In order to be successful, they need adequate and current information. Each unit receives a monthly printout of all accounts under its authority, and the most current accounting figures are available on computer to the head of each unit.

- Because fiscal information is so important, the financial office prepares monthly budget reports for university administrators and the board of regents. This approach gives the university an early warning system to spot financial problems before they become uncontrollable.

- Washburn's administrators have made a strong effort to increase communication with the faculty and staff. The president has held open forums each year with the faculty of every department and school and the staff of all the various support units. At these meetings, he presents a brief summary of the institution's status and answers all questions about the present and future plans of the university. The vice president for academic affairs and the executive director of planning also have spent a good deal of their time meeting and discussing with the faculty such topics as the university's assessment system, refining institutional mission, administrative reorganization, and faculty workloads. To help keep everyone informed, the director of informational services prepares a monthly newsletter, *Washburn Update*, for all employees.

- In the past, the university's state grant-in-aid was tied to the number of student credit hours enrolled at Washburn and a maximum total amount of funds appropriated by the legislature. If enrollment was below predictions, the university received less money. If enrollment was over predictions, the institution received only the maximum budgeted amount of funding. The university recently was able to get the Kansas legislature to change its grant-in-aid to a block amount independent of enrollment figures for that given year. This strategy has helped remove the potential of a drop in state aid after approval of the budget.

Short-Range Strategies

- The only major avenue open to the university for funding increases in faculty salaries and new programs is to expand enrollments; consequently, recruitment efforts have been increased. Five full-time individuals were hired for this purpose, in the first occasion Washburn has had full-time recruiters on the staff. In 1991-92 about $600,000 over projected income was obtained from student tuition. A 4.1 percent increase was registered in student credit hour production for that year. An increase of 2.6 percent is projected for the 1992-93 academic year. The down side of this strategy is the great pressure placed on the university to continue increasing enrollment. Attrition is a factor the university recognizes it must address. An enrollment management plan is being developed and the assistant vice president for academic affairs is responsible for implementing policies and procedures to permit the university to reach its desired enrollments.

- The university has increased its fundraising to increase money for scholarships, which in turn enhances recruitment and retention. The vice president for development and his staff have as top priority the raising of monies for endowment.

- Caps on enrollment in the most expensive programs were put into place or proposed for the future. The school of law has already imposed limits on enrollment, and the nursing program will shortly follow suit.

- The deans and department chairs are monitoring certain factors in productivity, such as class size, frequency of offerings, number of courses offered, and other instruction-related variables. Deans and chairs must be responsible for implementing sound managerial principles and more involved in realistic planning for their respective areas, especially in terms of income and expenditures.

- All faculty and staff positions left vacant through retirement or resignation are not automatically filled. Filling such positions must be justified by the requesting area through the appropriate vice president and approved by the president. This procedure has allowed the distribution of faculty into areas with the greatest need and has provided some funds for new initiatives.

- Because direct state aid accounts for only 19 percent of educational and general revenue, WU is lobbying the legislature to give more consideration to the real dollar increases given the university than to the percentage increase. A state increase of 4 percent to Washburn and to state regional colleges would only raise Washburn's revenue by about 1 percent compared with almost 4 percent for the regional schools.

Long-Range Strategies

- Washburn is rewriting its mission statement to emphasize its urban commitment and to highlight institutional functions that can be used as the basis for decision making in resource distribution and initiating new programs.

- The institution has concurrently been attempting to develop new linkages that will permit it to deliver programs without siphoning off fiscal resources from existing programs. A few examples of how Washburn has changed in order to meet this responsibility are as follows: A new jointly sponsored Master's Degree in Social Work with the Menninger Foundation has just been approved; the criminal justice department has been reorganized to better serve community needs; the M.B.A. curriculum has been redesigned to allow nontraditional students to complete the program in the late afternoon and evening; the school of applied studies is working with the area vocational school to offer Associate of Applied Science degrees to students; and, in cooperation with the Topeka school district, WU is becoming a regional training center for urban teachers through such programs as the Learning Exchange of Kansas City and the Yale University School Development Project (Comer Project).

- A system has been approved for reviewing all academic and nonacademic programs for quality. The main goal of this effort is programmatic improvement. Part of the review will also identify the actions, and costs needed to bring each unit to the acceptable level.

- During the past year, Washburn has formed a broadly based faculty, administration, and student committee to recommend university priorities. The university will use the information produced by the review system and request for new programs to prepare a list of long-range institutional priorities and their resulting financial implications. These priorities will be used by the university budget committee, made up of the vice presidents and executive directors, to help prepare the annual budgets. Based on the availability of resources, projects will be funded in order of recommendation of the priority committee. The deliberations of the long-range priority committee will also be used by the administration in determining income generation policies.

- Increased partnerships and cooperative efforts with other higher education institutions and public school systems have allowed Washburn to offer more programs without increasing expenses. Some examples of this are as follows: With Kansas University and Kansas State University, a 2:3 engineering program is in operation and a joint regional economic development study is underway; with Emporia State University, the Washburn law librarian is teaching in Emporia's library school; Kansas State University has certified some of the Washburn education faculty to its graduate faculty, which allows Washburn students who receive master's degrees to transfer directly into the Kansas State's Ph.D. program in education management; and the unified school districts in the county and Washburn are sharing staff and faculty development programs.

- Continuing education will be stressed in the next five years. This emphasis should produce major increases in both direct and indirect revenue. A strong continuing education program will provide a positive image for the university, draw additional students into the regular academic programs, increase donors, and get the attention of state legislators. As a part of this thrust, the institution has greatly increased its efforts to obtain training contracts with state and local government agencies and private businesses. In the last year, Washburn has signed agreements to offer extensive programs for the Kansas Departments of Social Rehabilitation Services and Revenue, the Kansas National Guard, the Topeka Fire Department, and Payless Shoes.

- In order to expand its financial base and keep tuition from rising beyond the means of too many students, Washburn has requested that the Kansas legislature make it part of the Kansas Regents System.

Obstacles to Implementation

There are internal and external obstacles to the implementation of many of Washburn's strategies. Externally, both the governor and the state legislature have been restricted by a lack of resources in the Kansas treasury and a flat economy that has precluded additional state aid to Washburn. The strong belief in the legislature that the state has too many community colleges and state universities and that there is too much program duplication among Kansas higher education institutions has also made it more difficult to get action at the state level.

Although some universities in the Kansas regents system have been supportive of Washburn's entrance into the state system, others have strongly opposed it. These institutions fear that another university's entry into the system will cause them enrollment and/or financial losses. Because of a lack of total support from their institutions, the Kansas Board of Regents has not endorsed the proposal to admit Washburn into the state system.

In honesty, it must be pointed out that some of the programs in place to help Washburn meet its urban goals have not been accepted by all the faculty. Some still want the institution to become a smaller, more select liberal arts college. Programs in associate degrees, social work, criminal justice, and community cooperation have all received overwhelming faculty support, but a vocal minority has opposed them. The administration's emphasis on communication is partly an attempt to decrease this problem.

The last obstacle to implementation of many of the strategies is a lack of institutional resources which, of course, is all too common at institutions of higher education. Many excellent programs have not been started because of a shortage of new funds. Administrators often face the difficult decision of whether to drop a good program to start a new one. A major factor in determining which strategies will be implemented is frequently the ability of the program to become self-supporting in a relatively short time. Worthy initiatives that have no prospect of revenue generation, or a fairly long break-even period, have little chance of implementation in these troubled times.

Incentives

Several incentives have been used by Washburn University to increase the acceptance of determined strategies. Some were mentioned earlier, such as the sharing of unspent funds with all units in the institution. Other approaches that have proven useful in enhancing specific programs are sharing profits from continuing education programs with the academic units participating in the programs, and offering travel and meeting expense funding beyond normal sources for faculty participating in special programs.

The setting of goals by schools, colleges, and departments, and the annual review of these goals by the administration, have also proven successful. The greatest incentive any institution can offer to its faculty and staff, however, is pride in the success of their university.

Results

On a short-term basis, Washburn has been successful in coping with stringent finances. The university has been able, for the last two years, to end the fiscal year with surplus funds that can be spent on special projects and equipment and to continue increasing its reserve fund. Major upgrading of the computer center and computerization of the library were accomplished during this period. Over $1 million has been committed to these two projects and other new equipment purchases not included in the university budget. At the same time, almost $800,000 in additional funds have been added to the surplus general and educational operations account.

There are some problems with the Washburn strategies. Because funding is so closely tied to increases in student credit hours, the institution must maintain a 2-4 percent expansion in enrollment each year in order to pay for increases in salaries and inflation. If these projections are not met during a school year, the institution will probably need to use its surplus funds to meet expenses.

The emphasis on continuing education has also produced some problems because of the need to cover "up-front" expenses—new money that the university must provide before programmatic income can be produced to cover costs. This area has suffered some growing pains. New markets have raised some difficult academic and administrative questions.

It is too early to report on the results of some of Washburn's other efforts.

The governor supports Washburn's entrance into the Kansas Regents System, but the legislature has not approved it. Good progress was made in the last legislative session through passage of a resolution stating that Washburn's admission into the system is "inevitable." In addition, the legislature formed a special study committee to investigate how the university should become a state institution and what the cost would be.

The Program Review and Priorities Committees will begin operation this year. Both committees were unanimously approved by the university council. This fall, about one-fifth of Washburn's programs are preparing self-studies, the first step in the review process. The administration made a strong effort to present the review as a way to improve quality. There was a clear imperative, however, to identify the strongest and weakest programs. A key part of the review is to propose remedies for ailing programs. A few programs, such as those that do not fit the mission or those too weak to be raised to the needed level of quality, may be dropped. The Priorities Committee will take these proposals and make recommendations to the president about their compatibility with institutional mission. It is also responsible for preparing a list of ranked priorities. Because the committee is primarily interested in long-term planning, its fiscal recommendations will cover resource commitments over many years. The yearly budgets, which of course will be greatly affected by the committee deliberations, will still be prepared by the administrative senior staff.

Plans

The programmatic review and long-range planning process will be refined continuously. Greater responsibility and accountability will be shifted to unit heads, especially academic chairs. Annual goal setting, accomplishments, and reviews will be maintained within departmental and institutional goals and objectives. Enrollment management, with all of its ramifications, will be taken very seriously. New partnerships will be developed to facilitate the university's responsiveness to the region's post-secondary education needs. The university will continue efforts to become a part of the Kansas Board of Regents System but will also strive to maintain its own financial viability and academic integrity until it is accepted as a meaningful resource for the State of Kansas.

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